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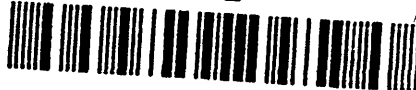
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OUTSIDE SERVICES AS A FACTOR INFLUENCING
THE GROWTH OF SMALL BUSINESS FIRMS

Submitted by R. H. BANKS, M.Sc.

for the degree of Ph.D. of the University of Bath

1978

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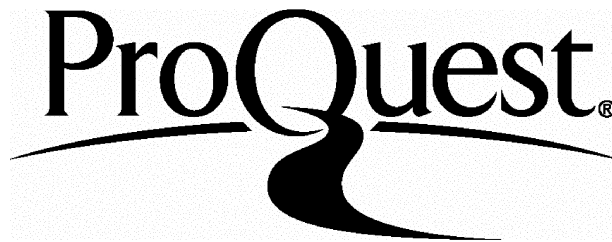
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C O N T E N T S

	page
Acknowledgements	iv
Study Summary	v
List of Tables	vi
List of Illustrations	ix
Chapter 1 : Introduction to the Study	1
1.1 : Factors Influencing the Decision to Undertake the Research	1
1.2 : Definitions	3
1.3 : Why Small Firms Use Outside Services	7
Chapter 2 : The Management Problems of the Small Firm	13
2.1 : Management Problems	13
2.2 : Stage Models of Growth	29
2.3 : Management Problems of Growth - seen at the early stages	37
Chapter 3 : Research Methodology	59
Chapter 4 : Case Reports on Providers	64
4.1 : Case Report OSF/1	64
4.2 : Case Report OSF/2	72
Chapter 5 : Case Reports on Users	93
5.1 : Case Report U/1	93
5.2 : Case Report U/2	100
5.3 : Case Report U/3	115
Chapter 6 : Summary of Results and Conclusions - Providers and Users	121

Chapter 7	:	Background to the Printing Industry	129
Chapter 8	:	Questionnaire Survey	152
8.1	:	The Non-users	154
8.2	:	The Users	156
Chapter 9	:	Fieldwork on Influenced Users	175
Chapter 10	:	Summary of Results and Conclusions - Printing Industry Survey	225
Chapter 11	:	Main Conclusions	240
Appendices			264
Bibliography			349



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STUDY SUMMARY

The researcher's argument that the use of outside services - namely, consultants, advisory organisations, finance organisations, and agencies and bureaux - can be a factor influencing the growth of small business firms has been proved in respect of the smaller independent printing firm, and to a lesser extent with firms of this size which belong to a group of companies and also with the motor traders.

The overall pattern that has emerged from the research is that a number of management problems may occur at a particular stage in the growth of the small firm; there may be limited management capacity or resources available to tackle these problems, hence the need to use outside services to fill-in the deficiencies of the proprietors or managers; the extent of this use will depend upon the status of the small business firm - more will be used by independents - and the qualifications and management experience of the individual or persons running the business; the use of outside services may increase managerial capacity and/or strengthen management; and the use of outside services can prove to be a factor influencing growth.

LIST OF TABLES

	page
Table 5.1 : Details of Sales Turnover and Numbers Employed 1970 - 1973, Case Report U/1	94
5.2 : Sales Turnover 1971 - 1973, Case Report U/2	102
5.3 : Departmental Sales Turnover 1971 - 1973, Case Report U/2	102
Table 7.1 : Size Distribution and Employment Trends in Print - BPIF member firms, 1964, 1968 and 1974	130
7.2 : Regional distribution of printing workers employed by BPIF member firms in England and Wales, 1974	132
7.3 : Percentage increase in sales recorded by the four sectors of the printing and publishing industry between 1970 and 1974 in constant 1970 prices	134
7.4 : Sales of the Printing and Publishing Industry, 1970 - 1974	135
7.5 : Printing Costs and Prices, 1966 - 1975	136
Table 8.1 : The number of outside services used by the firms over the previous period of three years	157
8.2 : Types of Outside Service Used	158

8.3	:	Number of firms obtaining a strengthening in one to six of the specified management areas	161
8.4	:	The Management Areas Strengthened	163
8.5	:	Turnover Range of Users	166
8.6	:	Users specifying from one to four contributing factors to an increased sales turnover	167
8.7	:	Factors Contributing to an Increased Sales Turnover	168
Table 9.1	:	Summary Details of the Nine Firms Visited	177
9.2	:	Contact Maintained with the BPIF	184
9.3	:	Services obtained from a practising accountant which were additional to normal auditing services	187
9.4	:	Types of assistance received and services obtained from the PPITB	189
9.5	:	The Management Areas Strengthened	193
9.6	:	General Management and Organisation Areas Strengthened	195
9.7	:	Financial Management and Administration Areas Strengthened	196
9.8	:	Personnel Management, Development and Training Areas Strengthened	198

9.9	:	Production Management and Control Areas Strengthened	199
9.10	:	Details of the Problems Encountered when Using Outside Services	208
9.11	:	Future Requirements for Outside Services	209
9.12	:	General Commentary on Outside Services	212
9.13	:	Appointment of Outside Directors	214
9.14	:	Achieving Growth without Using Outside Services	215
9.15	:	Limit to Growth	218

LIST OF ILLUSTRATIONS

	page
Illustration 4.1 : Traditional and model organisational forms of the small firm operating in the retail motor trade, Case Report OSF/2	82
4.2 : A comparison of the areas of management responsibility existing in the traditional and model organisations adopted by firms operating in the retail motor trade, Case Report OSF/2	84
Illustration 5.1 : Organisation Structure, Case Report U/2	104
Illustration 8.1 : Types of Outside Service Used - rank order of frequency of use	159
8.2 : Number of Management Areas Strengthened as a Result of Using Outside Services	162
8.3 : Management Areas Strengthened - rank order of frequency	164
8.4 : Factors Contributing to an Increased Sales Turnover - order of importance	171
8.5 : Outside Services as a Factor Influencing Growth - distribution of the 34 firms disclosing complete information on sales turnover	173

8.6	:	Outside Services as a Factor Influencing Growth - the 8 firms achieving the highest rate of growth	174
Illustration 9.1	:	Outside Services Used by the Group of Firms Visited	180
9.2	:	Management Areas Strengthened - group of firms visited	194
9.3	:	Factors Contributing to an Increased Sales Turnover - group of firms visited	203

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 FACTORS INFLUENCING THE DECISION TO UNDERTAKE

THE RESEARCH

The main reasons for undertaking this study on the influence which the use of outside services may have on the growth of a small business firm were firstly, some industrial management experience which the researcher gained in the period 1971 - 1972 with a marketing subsidiary of a foreign oil company; secondly, the experience gained while managing a family-owned medium sized printing business that had received a lot of bad outside advice in the financial management and administration area; and thirdly, a general interest in research carried out in the small firm sector, especially in areas such as growth and the management problems of small firms.*

Returning to the factor that was mentioned first, the particular marketing subsidiary sub-contracted large amounts of accounting and administration work to an outside bureau that specialised in providing services in this area. The subsidiary itself had been established by the oil company to take over the management control of a number of petrol filling stations as part of a policy of vertical integration into retailing, with the expansion of the firm being planned to end when about one hundred filling stations were controlled.

In an eighteen month period following its establishment the firm expanded to a point where over thirty filling stations were

* Before the Bolton Committee reported in 1971 the researcher completed a study on the small firm and the general problems which existed at that time.
See : Banks, R. H. (1971). The small firm. M.Sc. dissertation.
University of Bath.

controlled, and for the very great majority of this period the specialist provider supplied accounting services in the form of weekly marketing and management information, as well as the preparation of monthly operating statements for each station. The decision to obtain the services from this source was made because the firm's managing director was averse to establishing his own internal accounting function, and also he considered that the parent firm could not provide the right type of accounting service at group level. The principal benefit that resulted from using these outside services was that the managing director became relatively free to concentrate his attention on achieving expansion targets, instead of being distracted by too much involvement with the development and management control of a sizeable accounting and administration function. Therefore, the use of these outside services proved to be one of several factors influencing the growth of this firm.

The decision to undertake research on small firms was taken while the researcher was directly involved in the above situation, and the study commenced at the beginning of 1973 with the formulation of the hypothesis that 'the use of outside services can be a factor influencing the growth of a small business firm'. The aim was to gather sufficient data to enable a strong case to be prepared in support of the contention.

Before discussing in general terms why small firms may need to use outside services of one kind or another, certain terms which will appear in the text will be defined.

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1.2 DEFINITIONS

In the context of this study the term 'outside services' is taken to mean the provision of management services - e.g. expertise, systems - to small firms by an outside organisation. Outside services are a part of the external economies which may be available to a business firm. * In his research Hyman used the term 'external aid' available to management, and this included the services provided by consultants, trade and research associations, some professional institutes, a number of public bodies such as the Industrial Liaison Service, and unbiased information and advice given by suppliers and customers. ⁽¹⁾ It was therefore necessary early on in the study to determine the types of outside service which were offered, and it was found that a very wide range was available for small firms, although some

* External economies such as the supply of manpower, supplies of components, subcontracting facilities and professional services have been discussed by many writers. For example see : Edwards, R. S. & Townsend, E. (1958). Business enterprise. London. Macmillan. pp. 143 - 149, 161.

of these were not offered exclusively to the small firm sector. Subsequently the various types available were grouped under certain categories, and these are set out below.

1. Consultants

Included in this category are:

- Management Consultants (including the sole practitioner)
- Recruitment Consultants
- Technical Consultants
- Research Associations
- Educational Establishments
- Practising Accountants (including the sole practitioner)
- Solicitors
- Business firms offering consultancy and advice as a part of selling products and/or services.

2. Advisory Organisations

Included in this category are:

- Employers' Federations and Associations
- Institutes - such as the British Institute of Management, Institute of Chartered Accountants in England and Wales, Institute of Management Consultants - which offer information (and in the case of the BIM, advise also) about services for small business firms.
- Government departments, e.g., Department of Industry: Small Firms Division and Small Firms Information Centres, the Export Credits Guarantee Department, and so forth.
- The Public bodies offering services, e.g., the National Agriculture Advisory Service, the

government-sponsored Council for Small
Industries in Rural Areas (CoSIRA).

3. Finance Organisations

Included in this category are:

- Clearing Banks
- Merchant Banks
- Other organisations concerned with the supply of finance, financial advice and/or consultancy, e.g., Small Business Capital Fund Limited, ICFC.

4. Agencies and Bureaux

Included in this category are:

- Personnel and Staff Agencies
- Computer Bureaux

The different types of service offered by the organisations grouped under the four categories are discussed in some detail in Appendix 1.1 : Types of Organisation Providing Outside Services. Therefore, by referring to this appendix a fairly complete picture of the subject will be obtained.

Moving on to the definition of the 'small business firm', as a general guide the Bolton Committee definition was adopted, namely a firm employing up to 200 persons.* However, it will be noted that the idea of smallness stretches or shrinks according to the industry or industries being studied, e.g., a small firm in the petro-chemicals industry will appear positively massive when it is compared with a small firm counterpart in the clothing or printing industries. Also, a small firm will

* See Bolton Committee, Small Firms - Report of the Committee of Inquiry on Small Firms, Cmnd. 4811. London. HMSO. November, 1971.

be treated as such irrespective of a particular form of legal identity, i.e., the study is concerned with sole traders, partnerships, private limited companies, limited companies, and firms employing less than 200 persons which may belong to a group of companies, private or public. At the outset it was intended that small business firms of all types would be considered - except professional firms and farms. However, it will be seen later that the study's hypothesis was eventually tested on the basis of small business firms operating in the printing and allied trades, and the motor trades.

Lastly, the measurement of 'growth' was to be in terms of a straightforward increase in sales turnover over a three-year period. A three-year period was selected so as to encourage response, that is, it was not asking too much of respondents because there was a good chance that either recall would be fairly easy, or that there would be an easy access to the required information. In addition information on the numbers employed over the same period was to be obtained, and any increases or decreases noted. The expansion of sales turnover, however, was to be the main measure. Profit as a measure of growth was ruled out chiefly on the grounds that respondents may well decline to divulge confidential information of this nature, especially in the case of a sole trader or partnership, and also with the small private limited company.*

* * *

* Another difficulty about using 'profitability' as a measure of growth is that it can be markedly affected by the salary at which the proprietor/manager charges for his services.
See : Merrett Cyriax Associates. (1971). Dynamics of small firms.
Committee of Inquiry on Small Firms. Research Report No. 12.
London. HMSO. pp. 19 - 20, 30 - 37.

In the case of a private limited company it was obviously known that profit figures could be obtained from a Companies House search. However, it was also known that it is not at all unusual for a private limited company to be late in filing financial accounts, sometimes two or three years late. This situation has now been changed with the introduction of the 1976 Companies Act. Compliance with this Act means that financial accounts have to be filed promptly every year.

1.3 WHY SMALL FIRMS USE OUTSIDE SERVICES

In the first section of this chapter it was mentioned that the main reason for the marketing subsidiary obtaining outside services from the particular source indicated was that its management faced problems connected with the rapid generation of essential management information, and that this problem was resolved to a very great extent by using outside services. There are many other reasons why small firms use outside services. The main ones, therefore, will be briefly outlined in this section. It will be seen that some are simply related to the management problems of the small firm, e.g., there may be a need to obtain expertise - specialised or otherwise - which cannot be sustained internally on their own finances, there may be no time to tackle problems with internal resources or a detached viewpoint may be required.⁽²⁾

Some problems relate directly to the type of environment in which the small firm presently operates, with this environment having been described by some ⁽³⁾ as the most hostile among the advanced market economies. The hostility being referred to apparently has been brought about mainly by two factors: firstly fiscal policies, and secondly the current weight of legislation affecting the small firm sector of the economy. The former is bound up with the fact that increased direct taxation, through diminishing the ability and the incentive for individuals to save and invest (or re-invest) in their own businesses, may lead to a further decline in small business. Additionally, other forms of taxation in existence have not helped the small firm sector to prosper, e.g., limits for Corporation Tax, making provision for Capital Transfer Tax, the administrative burden of VAT, large increases in rates, and various changes in national insurance contributions. The latter is more concerned with the personnel management field and the fact that many small independent firms are too small to justify the employment of a personnel specialist, and consequently the personnel function and all it entails may be handled by a director or a senior manager. Over the last ten years or so this area has become more involved due to the fact that more and more legislation has been introduced by successive governments, and accordingly the

amount of day-to-day administration has increased along with the necessity to spend more time on interpreting and implementing legislation. Therefore, the limited management resources of the small firm have been stretched even more, especially concerning trade union negotiations, industrial relations and the devising and operation of training schemes.

However, for many years now outside services of various kinds have been available for the small firm. For instance, financial planning services obviously can be easily obtained from a financial accountant or from an organisation specialising in a certain field, e.g., EDITH. Many employers' federations and associations have been steadily developing their information and advisory services, with some of these stretching across several different management areas, resulting in the availability of a comprehensive range of outside services.* Some organisations specialise in the personnel field, and in some cases even to the extent of undertaking related administrative duties on a regular basis.

The area of financial management and administration frequently presents the small firm with management problems which may give rise to the need to use outside services, especially when a business has expanded to a reasonable size without its management acquiring the necessary expertise to cope with the necessity for increased financial planning. For instance, problems of financial control often arise from an inability to budget or to produce cash flow forecasts, with a possible result being that a small business enters an emergency situation with pressure on the bank account when heavy outgoings coincide with peak trading. (4) Another area concerns the raising of outside finance and this can often be more difficult when applications are badly presented with insufficient supporting financial data. Problems such as these can certainly be tackled with the aid of outside services: for example, the services of an accountant could be used to help install a management accounting system, or even related information could be produced with the aid

* For example, in Chapter 7 of this thesis are details of the services offered by the BPIF to its membership of smaller firms.

of an accounting or computer bureau.

The small firm may need assistance in the area of general management and organisation. Often a great proportion or perhaps all the management resources of the small firm may be concentrated in just one or two persons.⁽⁵⁾ It is therefore possible that there may be weakness in certain areas or a lack of balance in functional management skills, or even insufficient time to acquire specialist management skills or to consider or to implement any necessary organisational changes.* Problems such as these could be tackled with the aid of management consultants or by obtaining general advice - e.g., executive counselling - from time to time from any one of a number of other outside sources, depending on the particular problem being faced. For instance, if a small firm does decide to go for growth, then eventually a point will be reached where personal control is at its limit and there is a need to introduce more formal procedures. The process of formalisation may demand that outside help be obtained to assist with the installation of management information systems and procedures for company planning; defining corporate objectives and outlining policy; and introducing a more effective organisation structure, including a clearer definition of management responsibilities. Advisory services may be needed when a diversification, acquisition or merger is being considered, or perhaps when there is a need to rationalise production or to respond to a declining stage/phase in a product's life cycle, or to keep up to date with changes and advances in production technology.

There can occur differences of opinion between members of management - or directors in the case of a family business - on the desirability of certain changes and this may lead to a lack of co-operation on the part of those not convinced. It has been said by some⁽⁶⁾ that if the faction pushing the idea of change is aware of the dangers to the unity of the firm - e.g., a dispute over the

* That is, there is no reserve of managerial manpower which can be employed to identify problems and thereafter to offer possible solutions. Of course, there can be exceptions, e.g., in quiet periods.

issue, or the possibility of a lack of success if the change is pushed through - then by attaching blame to an outsider such as a management consultant, then the sense of unity may well be preserved.

Apart from coping with the financial planning aspects of a tightly controlled management succession in, for example, a family business, other problems may eventually occur if management ability is viewed as inheritable rather than acquired.⁽⁷⁾ Therefore second and subsequent generation owner-managers may find themselves in control without much experience of how other people do things and it would require luck for the firm to remain vigorous and progressive in the light of such a policy.⁽⁸⁾ Also, the management structure of the firm can become distorted to accommodate the preference of individuals for specific areas of responsibility, and the recruitment of qualified outsiders may be difficult in the case of a firm where promotion stops short of the boardroom. However, successors can inherit problems in their own right if predecessors refuse to relinquish management control in their lifetime. One other problem which may justify obtaining outside advice is what to do when there is either none or no immediate management succession in a family business.

In the course of writing this section mention has been made of a number of possible reasons why the small firm may have a need for outside services. However, the researcher did not intend to carry out an exhaustive review. The types of outside service presently available is another indicator of possible reasons for use, so by referring to the previously mentioned Appendix 1.1 as well, a fairly complete picture of the subject will emerge. From this appendix it will be seen that there is a wide range of outside services available for the small business firm, namely, consultants (management, technical, research, financial, legal and recruitment); advisory organisations (employers' federations and associations, institutes, government departments and public bodies), finance organisations (clearing banks and merchant banks), and agencies and bureaux (personnel, staff and computer). Whenever such outside

services are used any deficiencies in management resources may be made good, with this leading to a possible resolution of any existing management problems. Also, any imbalance in the functional management skills may be corrected.

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CHAPTER 2

THE MANAGEMENT PROBLEMS OF THE SMALL FIRM

2.1 MANAGEMENT PROBLEMS

In the previous chapter it was mentioned that the use of outside services by the small firm may be related to the existence of management problems. Therefore, the management problems of the small firm and the areas in which they may occur will be considered in more detail in this section. Many problems occur in the area of general management and organisation, especially in connection with company planning and development, organisation and management structure, and management succession. Others relate to the areas of financial management and administration, personnel management, production management and control, and marketing.

1. Company Planning and Development

Concerning company planning and development, because day-to-day working pressures can be considerable in a small firm, there is often insufficient time - especially when the owner-manager or managing director represents a large proportion of the firm's organising skills - to acquire knowledge of specialist management skills, and insufficient time to bring about any necessary operational, administrative and strategic changes. Connellan (1972) has stressed the importance of being motivated to develop the firm and to tackle and solve problems when they are at the initial stages of development. A resistance to change creates problems when, for instance, the owner is unable or unwilling to respond to the declining stage in a product's life cycle, or to keep up to date with changes and advances in production technology.⁽¹⁾ Similarly, Carter and Williams (1956) have described this situation in terms of the 'parochial firm', i.e., such firms have a lack of interest in ideas developed outside the firm in that they have no organised flow of technical information from periodicals, research association bulletins, from customers, and no one capable of understanding the information - outside a narrow field - if it came.⁽²⁾ Against the background of management being partly a matter of sound technological skills and partly a matter of good management skills (in finance, marketing, planning, control, communications, awareness of modern management methods),

Bates (1971) mentions that not only are many small businesses not very good at management, many of them are not very interested in improving it. (3) Also, it is rarely possible for a business to stand still for long, simply because things change and the static business may slip back in relative terms. The decline will sometimes be slow and acceptable to the owner, or it may go unnoticed until the position becomes irreversible.

Some small firms fail to install formal systems of management control. At some stage in the growth of a small firm the owner-manager requires supplementary systems to existing personal control, with these usually relating to the use of management techniques such as costing and budgetary control to provide essential management information. This failure might be because of the unwillingness of directors and owners to consider the application of management techniques in the light of not wishing to become over organised and losing their personal control to specialists, hearing of failures of application in other firms, or being too busy (or lazy) to keep up to date. Another reason could be differences of opinion between members of management, or directors in the case of a family business, on the desirability of certain changes, which may lead to a lack of co-operation on the part of those not convinced.

Sometimes a small firm does not make full use of the basic requirements of effective costing, cost control, financial planning, marketing, production planning and control, material utilisation, labour scheduling, waste control and related activities which provide functional competence. To add the complexities and cost of second generation management techniques on to an organisational structure not yet ready to receive and assimilate them is to add

further burdens to already overworked executives and strained liquidity. By distracting management from its prime purpose this can eventually erode such effectiveness as management already possesses.

Many small firms are unable to resist prolonged external pressures such as adverse economic conditions bringing a shortage of cash and a falling demand. In contrast, the assets of the larger firm, and perhaps the wider social implications of business failure lessens the chances of such an occurrence. In a situation such as this outside services such as consultancy could be used to tackle existing problems and to plan for future development. However, some show a reluctance to use external problem-solving services, perhaps because this use is an admission of management weakness. On the other hand, the reasons for many small firms failing to take as much advantage of outside advice as they could is thought to be due to an unawareness of the services available, or not knowing whom to approach in order to obtain them, or a concern about the possible cost of specialist services. An additional difficulty arises from the fact that the proprietors or managers of small businesses, not having a particular expertise or qualification themselves, often do not know what questions to ask in order to obtain the services or advice which would be of value to them. The problem is aggravated in the case of small businesses which are just establishing themselves. Whereas small businesses which have been in existence for some time should have professional advisers such as accountants, lawyers and bankers, to all of whom they can turn for advice, the new businesses may not yet have these particular contacts.

2. Organisation and Management Structure

In the case of the small firm this is often a problem reflecting a lack of balance in the functional skills. Unlike the larger firm, the small firm cannot sub-divide the functional skill areas and appoint specialists. For example, in a large company the duties of production planning, buying, shop loading, personnel, welfare, union negotiations and wages calculation are all separate, yet in a small firm they may all be done personally by, for example, the works manager, who cannot possibly reach the degree of competence in all his duties which may be expected in the large organisation. However, as several writers have pointed out, e.g., Ingham (1967), small firms have an advantage in the relationship between the management and the employees. Because of the size of the business communications between management and workers are easier and consequently 'personal control' of management can be used to great effectiveness. (4)

The personal control prevalent in the small firm sector often demands an all-purpose manager capable of accomplishing a wide variety of managerial tasks, i.e., a manager possessing entrepreneurial flair and some degree of expertise in all the main management areas - production, sales, personnel and finance. As has been emphasised by many writers in the past, e.g., Bates (1971), these particular skills are rarely found in one man. Therefore, there will tend to be weaknesses in some of these areas of management.

Another management problem connected with a personal control of a business is lack of management delegation, whereby a firm can become over-dependent upon the particular abilities of one man. It can happen that the owner-manager has no one to delegate to, i.e., a middle-management layer does not exist, or there is no one capable

of taking on delegated responsibilities, or the owner-manager is either incapable of delegating tasks or just decides not to do so because he wishes to maintain management control.

Other problem areas are outlined below :

- a. There may be no reserve of managerial manpower which can be used to both identify and offer solutions to particular problems facing the business.
- b. Deficiencies in the range of management resources available.
For instance, management might be very competent in production but weak in marketing. Elsewhere, a small firm may need the services of a management accountant or a work study engineer, but have insufficient work available to justify making a permanent appointment.
- c. The small firm is vulnerable to set-backs such as the loss of key employees.
- d. Loss of management control may occur when, for instance, the owner-manager reaches the limit of his managerial competence, or when guesswork predominates as opposed to the disciplined analysis of facts. Also, the most effective owner-manager is not necessarily frantically working on everyday problems morning, noon and night: he is the one who sets aside sufficient time to think of the future, spot possible problems and work out the means of circumventing them.

Concerning deficiencies in available management resources, Hillebrandt (1971), for example, mentions that small firms in the construction industry cannot justify - because of the size of turn-over - the employment of more than a very few non-operatives. Consequently, the principal(s) of the small firm must usually undertake all management functions, and apart from the knowledge

and skill of the operatives, the technical knowhow has also to be concentrated in the same one or two individuals. (5)

If the ownership and control of a small firm rests with a family, problems may arise in respect of conflict between, say, father and son, and between brothers. Also, if positions are created in the firm for family members, the result may well be the formation of a top-heavy management structure and the engendering of disillusionment among employees, primarily because the latter may view such moves as a block to further advancement at a later date. Problems can arise with a separation of investment and management where, for instance, the professional management is responsible to an investment holding company composed of the family, who may take varying degrees of interest in the affairs of the firm. If family interest is high an arrangement such as this has the advantage that the family can act as a focus for loyalty, and being removed from the discipline system the family can communicate directly with the workforce if need be. However, the goals of the holding company and the firm may be at odds if the former wants a secure and regular return and the latter wants to restrict dividends to finance further expansion. Moreover, if expansion is restricted it could lead to the loss of a good management team.

3. Management Succession

A difficult problem for the small firm is providing adequately for management succession. The one-man business and the family business whose owners are getting on in years and which have no suitable second-line management to follow them, all too often collapse when there is a death (irrespective of taxation factors), or run downhill steadily for want of new ideas and youthful vigour.

This situation further illustrates the outcome of depending on the abilities of one man or a very small management team, as it is very often difficult to replace the management resources which previously influenced the success of a particular business.* Also, the owner-manager who refuses to relinquish management control as long as he lives poses many problems for his eventual successor.

Davidson (1972) discusses management succession in small family firms in terms of management ability being viewed as inheritable rather than acquired. Thus second-generation owners could find themselves in command without much experience of how other people do things.⁽⁶⁾ Davidson mentions what he considers to be two unhappy side effects of tightly controlled family succession: firstly, the management structure of the firm can become distorted to accommodate the preference of individuals for specific areas of responsibility, and secondly, the recruitment of qualified outsiders is very difficult in a firm where promotion stops short of the board-room.

Management succession in small firms is examined by Carter and Williams (1956), and they say that the small firm stands in special danger of the parochialism previously mentioned. This would happen when the small firm added to all its other problems the financial difficulties of maintaining family control by recruiting its senior management mainly from the narrow circle of the founder's family. It would require unusual luck to remain vigorous and progressive in the light of such a policy, as there is no certainty that the qualities of vigorous personality and business acumen so

* It could well be that many small firms cannot afford to pay the salaries, etc. demanded by competent professional managers.

essential to the founder of a small business will be possessed by members of his family. The financial difficulties of maintaining family control may prevent desirable technical progress as funds would have to be reserved for the payment of death duties.

Regarding the analysis of an illustrative historical sample of twenty well-chronicled family businesses - e.g. Cadbury, De La Rue, Nairn, Pilkington - Boswell (1973) suggested that there was some tendency towards reduced business interest and abilities in the second and later generations of the founding family.⁽⁷⁾ It was also noted that this factor often seemed to combine with increasing competition and external pressure, producing intermittent or continuous periods of decline. The revival or successful continuance of the business - apart from a few brilliant exceptions - generally appeared to depend on the retreat of the original family by means of absentee ownership, recruitment of new management, public quotation or take-over.

4. Financial Management and Administration

The area of financial management and administration usually presents special problems for the small firm. For instance, the Midland Bank⁽⁸⁾ has mentioned that problems of financial control frequently arise from an inability to budget or to produce cash flow forecasts, with the result that a small business enters an emergency situation with pressure on the bank account when heavy outgoings coincide with peak trading. Similarly, there have been many examples in the past of optimistic forecasting of successful trading by reason of increasing sales turnover, whereas in actual fact the business may be incurring mounting losses. Further, it is thought remarkable that many businessmen whose businesses have expanded to reasonable size remain ill-equipped to cope with the details of

financial management.

A number of other problems can be traced to this management area, namely :

- a. Raising finance : this can be problemmatical when the small businessman and/or his advisers - professional or otherwise - are unaware of all the possible sources, or because the case for loan facilities is badly presented with insufficient supporting financial data.
- b. Taxation :
taxation in its various forms can cripple the small business firm, especially in relation to curtailing development as the price of ensuring continuity of ownership and control, e.g., in the case of family firms.
- c. Management resources : deficiencies or limitations, e.g., lack of basic accounting knowledge, insufficient expertise to install monthly management accounting systems and to thereafter maintain such systems.
- d. Financial management control : limited use of the management information which is available as a by-product of essential office work; failure to produce regular management information on such points as cost of sales, overhead analysis, debt arrangements; ineffective cash management - failing to reduce costs (especially in times like the present) and to conserve capital (collecting debts, keeping credit sales under control, dealing with intransigent customers, stock control, pricing policy); interpreting new legislation and supplying official bodies with data.

Regarding the first and last points outlined above, a conclusion drawn by Lees (1971) on the basis of a large number of interviews with financial institutions *, was that poor quality management and lack of adequate financial control in a small firm was viewed as a serious obstacle by all lenders.⁽⁹⁾ Also, the study of 50 small firms directed by Dunning (1971) identified the characteristics of firms which were successful or unsuccessful in raising external finance during 1968 and 1969.⁽¹⁰⁾ The successful applicants displayed the following characteristics : (i) their profit/sales ratio and growth performance for the years 1965/9 were generally above the average for all the firms in the sample; (ii) they required finance for 'expansionary' reasons and usually for clearly specified purposes; (iii) they found it comparatively easy to know where to look for finance and most denied that they had experienced an 'information gap'; (iv) they were generally well versed or advised on financial matters, notwithstanding their claim that impartial advice was sometimes difficult to obtain; (v) they were not in general over-ambitious in their requests for finance, on the other hand, they were persevering in their attempts to obtain the funds they needed on the most favourable terms; (vi) though vocal about the additional pressures placed upon them by recent government fiscal measures, and the credit restraints in general, they appeared to have taken these in their stride. The unsuccessful applicants displayed the following characteristics : (i) they were generally less profitable than the average firms in the sample; (ii) a higher proportion of them required finance for defensive reasons,

* Included were financial institutions such as the clearing banks and their subsidiaries, insurance companies, pension funds, merchant banks, venture capital institutions, the Stock Exchange, finance houses, overseas banks, leasing companies, factoring and invoice discounting companies, bill finance and the discount market.

and of the rest few seemed to have any clear ideas of why they wanted funds; (iii) they were inclined to complain about both an 'availability of funds' and an 'information gap'; (iv) they were managerially and financially unsophisticated, nor did they always seem to get the best advice from their accountants or bank managers; (v) they seemed to be particularly adversely affected by recent government fiscal measures and credit restraints; (vi) they lacked perseverance in seeking finance, sometimes giving up at the first attempt.

On the subject of management resources, Hebden and Robinson (1971) commented in their study of small firms in the motor vehicle distribution and repair industry (the motor trades), that there was a lack of knowledge of standard accounting procedures and practices which was particularly pronounced in small firms. ⁽¹¹⁾ Outside of large garages, which are able to employ specialists, it was found that there was a lack of attention paid to standard management techniques, e.g., costing was often lax with the result that low prices sometimes reflected inadequate charges for contributory services, management time and general overheads.

5. Other Problem Areas

The study of 64 smaller firms* made by Boswell (1973) showed, on the one hand, that many of the firms were (apparently) exempt from serious management problems, and on the other hand such problems were clearly observed and mostly admitted in others. The types of management problem identified were delegation (seven firms : 12 per cent. of the sample); managerial fatigue connected with age and/or long tenures (11 firms : 16 per cent.); problems

* The 64 smaller firms studied, i.e., private companies with fewer than 500 employees, were located mainly in the East Midlands. 44 firms operated in various sectors of engineering, and 20 firms operated in hosiery and knitwear. Interviews were held with chief executives. Boswell also made a study of 318 firms - the Companies House Study - involving the analysis of financial data.

connected with gerontocracy (10 firms : 14 per cent.); management succession (about 16 per cent.); referred to personal managerial inadequacies (10 firms : 14 per cent.); affected by serious health, moral or family problems, or other disabilities (6 firms : 9 per cent.). It was found that there was a heavy concentration of serious management problems in the firms with poor growth and profitability: this concentration was clearest in the case of personal managerial inadequacies and traditonalism, with the latter being indicated by a conservation orientation in respect of five-year goals, or perhaps by the absence of certain modern techniques, a resistance to training schemes or a low use of outside services. Regarding the growth performance of the sample, it was found that over one-quarter of the firms more than doubled their sales over the five-year period reviewed (1964-68); 14 per cent. more than trebled their sales; and nearly one-third remained virtually static or in most cases actually declined.

Only nine firms admitted to serious inadequacies in financial controls, wage incentive schemes, sales organisation and market research, or management techniques generally. However, it was pointed out that in small firms many of the usual techniques may be applied, but relatively informally and without the conventional labels. Non-application was usually the result of general conservatism or inadequacy on the part of directors. Defective techniques (as termed by the respondents) were thought to be a symptom of serious management problems. Also, the firms which admitted serious management problems were thought to have inadequate techniques and controls.

Few firms singled external factors - excessive taxation, unfair competition, etc. - as barriers to achieving expansion goals. The main problems related to finance, scale, managerial personalities and attitudes, and the use of outside advice. Concerning the latter point, about one-third of the sample had used management consultants, but the ratio of favourable to unfavourable comments about effectiveness of use was 5 : 4. This poor or ineffective use of consultants mostly seemed to reflect serious management problems; the wrong consultants may have been employed; bad advice may have been received, or good advice neglected; the decision to employ consultants may have been wrong, and so forth.

Of the 64 firms in the sample, 16 firms were described as 'transitional firms' - 20 to 40 years old, and in all but one of the firms the original founders were still more or less in control. These firms showed a heavy concentration of problems connected with managerial fatigue, delegation and succession. Their performance in terms of growth was poorer than the 'younger firms' - there were 20 of these - although there was no evidence of actual recent deceleration.

In the sample were 28 'older' firms, of which 15 were declining in 1969-70: the patterns of decline had predominated among the older firms since 1945. It was found that the older the firm the greater the likelihood of decline. The managerial evolution of declining firms was dependent upon inheritor bosses, with the latter possessing certain dominant characteristics, namely, little or no business experience outside the firm; entry into the firm through family pressures or conformism; youthful entry; a long wait for power before succession to top jobs (say with inheritors working alongside their fathers, father-son conflicts, paternal dominance);

entire working lives often spent in the firm (40 to 50 years). Other general characteristics of the 'inheritors' were less ambition and obsessiveness about the firm; more likely (than 'founders') to refer to their mistakes or limitations as a problem in terms of the business; being restricted and constrained by their family and business environments; and being more varied in their replies on desirable business attributes. The main causes of decline appeared, therefore, to be market (i.e. declining industrial sectors, intensive competition) and technological factors, the limitations of inheritor management, and the existence of serious management problems.

Boswell found that a minority of the older firms were reviving after previous decline, and showing an impressive economic performance. However, this kind of revival was invariably connected with a change of top personnel in respect of (i) the succession of able inheritors; (ii) the appointment of professional managers; or (iii) acquisition by new owners. Revival demanded, therefore, the virtual re-construction of a particular business.

Regarding the area of personnel management, the scale of operations in the small independent firm are, as a general rule, too small to justify the employment of a personnel specialist. As a result the personnel function and all it entails is usually handled by a director or a senior manager. However, in recent years the management of this area has become more involved due to the fact that more and more legislation has been introduced by successive governments. Accordingly, the amount of day-to-day administration has increased along with the necessity to spend more time on interpreting and implementing legislation. The limited

management resources of the small firm have therefore been stretched further in areas such as administration, selection and recruitment of personnel, trade union negotiations, industrial relations, and devising and operating training schemes for all types of personnel.

In the area of production management and control there may be deficiencies in management resources, resulting in difficulties concerning the introduction and subsequent use of management techniques, and devising and introducing incentive payment systems. Occasionally the small firm will have a need for certain specialist services, e.g., a work study offer or technical problem-solving. Also, the small firm is vulnerable financially if, for example, there is a failure of one production batch, or if production bottlenecks occur regularly.

Small manufacturing firms are often dominated by big buyers and big competitors, and they may be obliged to accept prices offered or ruling in the market. There is a vulnerability to fierce (and perhaps unfair) competition, and advertising is often too expensive. Frequently, the only way to withstand competition is to provide a special or personal service, and in the case of success there is often the danger of a take-over. The unobtrusiveness of the small firm can hinder marketing operations, especially the marketing of new products, and there is a particular vulnerability to set-backs such as the loss of key sales accounts.⁽¹²⁾ Management operates sometimes without properly presented information, e.g., sales analysis from costing and sales ledgers, stock records from purchase ledgers, marketing intelligence from the records of salesmen.

It was mentioned above that a small firm may face the danger of take-over because it is successful. However, there are several more specific reasons for a take-over. For instance, the research of

Merrett Cyriax Associates (1971) showed that the main reason for firms submitting to take-over was the fact that they found themselves in financial difficulties.⁽¹³⁾ This finding was based on a sample of 700 small firms (96 of which had ceased trading) operating in construction, manufacturing, retail and motor trades.* It was found that the reasons for take-over were financial failure, succession problems, estate duty payments, to eliminate competition, to provide suppliers, acquire tied outlets, other tax reasons. Looking at the first two reasons in more detail, Merrett Cyriax Associates found that 36.5 per cent. of the 163 firms in manufacturing and construction which had been taken-over had faced financial difficulties, and the figures for the other industries were 45.4 per cent. / 62 firms (wholesale); 32.7 per cent. / 42 firms (motor trade); and 5.5 per cent. / 62 firms (retail). The figures relating to management succession problems as being the reason for a take-over were 23.5 per cent. (manufacturing and construction); 31.5 per cent. (wholesale); 12.7 per cent. (motor trade); and 33.4 per cent. (retail).

* * *

* The objective of the survey was to obtain data on and to analyse the pattern of growth and decay of the small firm operating in the areas of construction, manufacturing, retail and motor trades. The sample consisted of 604 firms (depth interviewed) still trading and 96 firms which had ceased trading since 1963 as independent entities under the same management. The sample was drawn from firms known to be trading in 1963, with the aim being the assessment of their pattern of growth or decay for the seven years to 1970.

2.2 Stage Models of Growth

Before turning to the management problems of growth - seen at the early stages - the stage models of growth presented by a number of writers will be outlined, namely the models of Kroeger, Greiner, Davidson, Stanworth and Curran, Thomason and Mills, and Bates.

Kroeger (1974) listed five stages in the life cycle of the business firm, namely, the initiation stage where the manager must fulfil the role of originator and inventor; the development stage which requires the manager to become a planner and organiser; the growth stage with the manager becoming a developer and implementer; the maturity stage demands an administrator and operator; and the stage of decline requires that the manager be capable of reorganising the firm to ensure its survival. (14) Each of these stages, therefore, requires different managerial roles if the firm is to survive and grow.

However, small firms face special problems in providing management which is appropriate to the different stages in the life cycle, since they usually cannot afford to recruit teams of management for each stage. It is suggested that a possible solution to this problem is a career-long management development programme, whereby the manager develops both functional and managerial skills.

The growth of the business firm is also summarised by Greiner (1972) in terms of five stages: creativity, direction, delegation, co-ordination, and collaboration. This particular stage model, however, relates to the firm eventually moving into the league of the large business firm.⁽¹⁵⁾ Accordingly, the first two stages relate more to the early stages of growth. The first stage is characterised by the management focus being on make and sell, the organisation structure being informal, the top management style being individualistic and entrepreneurial, management control based on market results, and the management reward emphasis being on ownership. The characteristics of the second stage are efficiency of operations, a more centralised and functional management, a directive management style, management control based on standards and cost centres, and the management reward emphasis being salary and merit increases.

Davidson (1972) discusses growth in respect of there being a series of growth barriers through which the firm must pass on its way to public flotation, amalgamation or whatever route it may take to the bigger league. Each step is marked by an increase in delegation: the first stage sees the establishment of a formal

organisation structure, with job descriptions for key posts; the second stage comes with the need to produce control information (as a replacement for management by intuition); the third is characterised by the introduction of production control procedures and communication techniques; the fourth may see the creation of executive committees to run certain aspects of the business; the fifth, the development of a group structure; and the sixth, the formal establishment of corporate planning procedures. According to Davidson, it is often very difficult for the small firm to pass through the earlier barriers, especially in cases where managers are preoccupied with routine matters.

In a study of nine^{*} small firms undertaken by Stanworth and Curran (1973), the growth process - in its simplified form - was seen to consist of three stages, with each stage being linked to emerging entrepreneurial identities. (16) During the early and formative period of the firm's growth, the entrepreneur's individual influence tends to be at a maximum. The entrepreneurial type emerging at this stage is that of the 'artisan', i.e., the entrepreneur is interested in gaining personal autonomy and independence in the work sphere⁺; being able to pick the people he works with; and gaining

* The nine small firms studied in detail by Stanworth and Curran consisted of five first generation entrepreneurs (with three of these firms operating in electronics, one in printing and one in wire products); and four second generation entrepreneurs (one firm in electronics and three firms in printing).

+ The Boswell study (1973) of 64 smaller firms showed that the desire to be independent, to be one's own boss, was the strongest force underpinning the various reasons for founding a business, e.g. early deprivation and difficulties; strong family or local links with a particular industry; previous hard work or sacrifices; being frustrated with working for larger organisations; financial motives; desire to improve performance of existing firms; to innovate through new products, methods or processes.

status in the workplace and the satisfaction of turning out a good product backed up by personal service to the customer. Later, the entrepreneur will face problems concerned with management structure and succession, and he will need to employ specialists who will not be as closely identified with the firm. At this stage the entrepreneurial type will conform to that of the classical entrepreneur, as the attainment of sustained profitability will be the main goal. Finally, the nature of the workforce commitment and involvement is likely to undergo a transition where work tends to become a means to an end rather than possessing meaning itself. The entrepreneurial identity at this stage will be the 'manager' type, i.e., there is an interest in being seen as a first-rate manager capable of building up an enterprise which will survive into the next generation.

At a later date Stanworth and Curran (1976) mentioned that as a firm grows, internal and external forces push it towards a more rational and bureaucratic structure, because management functions, being too complex and time consuming for a single person to handle, need to be delegated.⁽¹⁷⁾ Also, if certain management skills which are needed are brought into the firm - for instance, specialist managers - then these two factors may well lead to the loss of highly personal social relations which existed during the formative period of a particular firm's growth. This, Stanworth and Curran argue, can lead to a conflict with the goals which the 'artisan' entrepreneur possessed at the time he founded his business, i.e., the entrepreneur may begin to feel like an employee in his own firm.

Thomason and Mills (1967) studied four small firms in depth, and one topic that they were concerned with was the problem(s) of moving from the stage where entrepreneurship is crucial to that in

which administration is the important role.⁽¹⁸⁾ The stages in the development of the firm which were identified are outlined below.

- a. Initial stage: an idea translated into a practical reality by applying an appropriate skill; recruiting labour; relying on very crude organisational and control devices (e.g. control based on market results); utilising the cheapest technology.
- b. Next stage: introduction of administrative skills responsible for putting in (or trying to) more elaborate or more sophisticated means of measuring and controlling what is happening (i.e. there is a strategy of internal control).
- c. Further stage: achieving (or attempting to) greater system or rationality in its own organisation; likely that management structure/organisation will be in great need of change; if done, the pre-existing balance of power in the management group may alter fundamentally - a painful process.
- d. Further stage: New premises or physically re-structuring.

Thomason and Mills found that against the background of a small firm successfully adjusting to a market situation, and thereby securing a stable basis from which to operate, there will be a tendency for the firm to find itself with a need to re-think the function of the original owners. Therefore, after the small firm has passed through the initial stage successfully, there arises a need to establish an effective administration to control what has become a going concern.

The owners found this function difficult to adopt because of the likely requirement that they divorce themselves from those real aspects of the work which they know from experience they can carry out successfully. Following this there is a third stage - a longer or shorter period - during which the firm either equips itself to go forward or drops out of existence as a separate entity. The researchers suggested, therefore, that there was something of a threshold between this part of the firm's development and that part which places it in the category of a rational organisation. Thus the threshold may be seen as dividing two cultures: one based on emotional ties (such as loyalty and friendship); the other on technical expertise within functional relationships imposed by work tasks. The formalisation aspect of growth is seen as potentially divisive or productive of conflict among the previously unified management team, e.g., forcing through one particular recommendation may be seen as less desirable than the preservation of unity, ownership and control; avoiding breaking-up a set of long-standing friendships; reluctance to split the group, family or otherwise. Accordingly, the correct decisions can often be deferred and/or delayed, and also delay may result when decisions need to be emotionally acceptable.

Bates (1971) has looked at the growing small business - in respect of the entrepreneur who wants his firm to grow - from the viewpoint of financial management problems. The growth process is presented in a simplified form - with this being pointed out by Bates - which highlights the barriers through which the small firm must pass in order to achieve a reasonable amount of growth. Firstly, a business may be established to exploit a process, a skill, or after spotting a market interstice in which the entrepreneur sees

opportunities for profit. There may be little capital available, and he may be content to work for a relatively small return in the early stages. Growth brings an increasing need for funds - retained profits, borrowing from creditors within limits - simply in order to expand sales, and this excludes whether additional plant and machinery could be used. An over-trading situation may be reached, and perhaps the business goes under as a result. If, however, he is to succeed, then simple budgeting procedures will have to be employed. At this stage there is little to back other than the entrepreneur himself, and normally there is little point in looking for outside funds at this stage.

Secondly, the entrepreneur may have the desire to grow further and faster. He may buy more equipment, increase the labour force, extend premises, spend money on advertising - all of which will place new demands on his financial resources. Sources of funds may be hire-purchase, a bank overdraft, or premises may be rented. However, potential backers are going to want to know more about his finances: they will be critical of over-trading, and they will want to see evidence or prospect of stability, or perhaps even request an additional injection of personal capital before helping the business.

Thirdly, in time the entrepreneur will need more capital if the business is to grow further. Perhaps long-term development capital is needed: if so, he will have to demonstrate fairly conclusively that he is worth backing, as the lender will want to know why the entrepreneur expects to continue to succeed in the higher league to which he aspires. Moreover, he is really going to have to let other people into his affairs at this stage, and this will apply with all the different sources of outside finance which are available.

Fourthly, assuming the entrepreneur passes through the previous stage, there will still be financial problems, and on top of these others will appear, i.e., managerial. For instance, the business may have become too big for one man to run, and there may be a need to employ a salesman, or an accountant, or an engineer or a works manager, depending on the requirements of a particular business and on the entrepreneur's own capabilities.

Fifthly, if further funds are needed, potential lenders will want to know - in addition to detailed financial information - whether the organisation can grow to meet the needs of further expansion, and also details of the products and/or services marketed. This, therefore, is the stage which really decides whether the business remains small. If the entrepreneur wishes to carry on taking all the major decisions, then it is likely the business will not grow any further, mainly because outside lenders will be reluctant to provide finance in such a situation.

* * *

2.3 Management Problems of Growth - seen at the early stages

From the stage models of growth presented in the previous section it is apparent that at some stage in the growth process a point will be reached which Argenti (1970) has termed the 'critical mass'. (19) This is the point at which the entrepreneur begins to lose control unless a formal management system is introduced to supplement - at least - his personal control. The formalisation of management has been discussed by many writers. For instance, Matthews and Mayers (1968) suggested that the owner-manager has to outgrow his old deep-ingrained habit of being a jack-of-all-trades and find a new role in the firm. (20) Accordingly, his task here is (i) to define what skills and talents he needs in the business; (ii) to ensure that he employs people who between them span the necessary range of skills and talents; (iii) to ensure that they are so organised that their skills are all directed towards meeting the company's objectives.

Stanworth and Curran (1973) found that small businessmen viewed the process of bureaucratisation as both inevitable and distasteful. The outline features of the process are (i) hierarchical relations - an increasing emphasis on vertical authority in the firm; (ii) division of labour - clearly defining all roles in the firm in respect of tasks attached to them and performance standards required; (iii) qualifications - employees are selected more on the basis of formal qualifications, with experience being considered secondary;

(iv) impersonality - relations between employees become more formal and confined to work problems; (v) written records - activities are increasingly recorded, with the records being stored for future reference; (vi) code of discipline - rules of conduct are drawn up and impersonally applied; (vii) career patterns - paths and development programmes are established. It is suggested that unless the entrepreneur (i) can master this new situation by delegating authority to specialists, thereby relinquishing an element of his personal independence; (ii) can integrate his long-standing managers with his new specialists; (iii) can cope with the occasional loss of specialists; (iv) can contain his personal conflict with bureaucratisation; (v) can accept the bureaucratisation of worker-management relations (unionisation); then, he may create a bottleneck which will effectively restrict further growth.

Bates (1971) mentions that up to a certain size it is feasible for management control to be in the hands of one man. Beyond this size, however, the job may be too much for one man, even if the latter is very good. This is because a fundamental change in the administrative structure of the firm is likely to be needed, with, perhaps, this being beyond both the desires and capabilities of many small businessmen. For instance, a small businessman may be more interested in creation, and less interested in the running of a going concern, i.e., he may be looking for fresh fields to conquer.

The move over from personal administration to more formalised procedures of management control may be demanded as the firm passes through the transitional stage in its development from small to medium-sized business.⁽²¹⁾ It is sometimes advantageous to keep the organisation structure flexible so that changes can be made as

people change, develop and as new conditions arise. Growth demands organisational change, both because of outside factors, and because it requires that the pattern of management which people use should adapt to cope with increasing volume and the greater complexity of business problems. Whenever the owner-manager needs to delegate part of his total responsibility, two issues usually arise:

- (i) The person taking over the responsibility most likely will not perform the job in an identical fashion.
- (ii) Information is required about the delegated task to facilitate the making of sound judgements.

The problems, therefore, of what authority and responsibility to delegate to whom, and of how to obtain summarised information about what is happening in the delegated areas are problems which face all business enterprises.

In the case of the small firm there can be strong arguments for keeping the organisation as flat as possible, that is, having as few levels of management as possible. A flat organisation structure implies that there is a wide span of control. Although it makes communications simpler, this type of organisation will create its own problems. If the spread of control is too wide subordinates will tend to queue for attention, with this wasting time and delaying matters. Over-delegation can lead to vital decisions being taken by subordinates with a consequent lack of control. If the delegation is too narrow, subordinates will be under-employed and may concern themselves with excessive detail.

The previously mentioned bureaucratisation of the small firm need not be an automatic outcome of growth, as some researchers, notably Burns and Stalker (1961), have suggested that a loose and

flexible organisation structure, namely an organic form of organisation, is appropriate to changing conditions.⁽²²⁾ Burns and Stalker outlined two formally contrasting forms of management system - representing a polarity - and these were called the mechanistic and organic forms.* The mechanistic form has a hierarchic structure and is appropriate to stable conditions; while the organic form is appropriate to changing conditions, which give rise constantly to fresh problems and unforeseen requirements for action which cannot be broken down or distributed automatically arising from the functional roles defined within a hierarchic structure. Burns and Stalker stressed that the two forms of system represent a polarity - not a dichotomy - as intermediate stages between the extremities have been identified. In addition, it was found that the relation of one form to another is elastic, i.e., a concern oscillating between relative stability and relative change may also oscillate between the two forms; and a concern may operate with a management system which includes both types.

Lansley, Sadler and Webb (1973) conducted a study of fifty smaller enterprises operating in the printing and building industries: the research was concerned with organisation structure and management style.⁽²³⁾ The researchers say that 'packaged solutions', whether in the field of organisation design or management style training, are not a valid alternative to an analysis of a situation followed by the development of a 'tailor-made' solution. It was considered

* The Burns and Stalker research consisted of (a) a preliminary study: a rayon mill and an engineering concern; (b) the Scottish Study: firms which entered the Scottish Council's 'electronics scheme', supplemented by ancilliary studies of the experience of firms in other industrial fields; (c) the English Study: eight major electronics firms.

that the findings added further weight to the argument that there is no one best way of organising a business, as effective organisation is contingent upon the purpose which the organisation is seeking to fulfil and upon the nature of the tasks which have to be managed.

Against the background of conclusions such as these it can be suggested that the owner-manager of a small growing firm should avoid an uncritical acceptance of ideas about management which happen to be currently fashionable in, say, management literature, or, perhaps, in management consultancy circles.

There are a number of other factors which may limit the growth of the small firm, namely, finance; motivation of management; management resources available; management succession problems; and certain environmental factors.

The problem of finance has been covered in depth by Bates (1971), with the problem itself being summarised in terms of finding funds for expansion at the right time, of the right type, and in the right quantities, at various stages of development. The small firm may face difficulties demonstrating its chances of success in order to persuade potential lenders, or the existing lending and financial institutions may not cater for certain problems involved in small business finance. Some small firms are such good bets that they find little trouble in raising capital for growth, while others are such bad bets that no one in their right mind would offer facilities to them, and in between there exist small firms which could improve their operating performance, their attractiveness to outside investors and their own efficiency in the use and raising of funds. In general, though, small private companies find it relatively difficult to obtain

funds for expansion, and therefore they frequently have to raise money from short- and medium-term sources at relatively high cost.

Regarding the last mentioned point, the Oxford Survey^{*} - re-reported by Lund and Miner (1971) - reported that externally financed firms appeared to want to expand in order to improve their profitability, and were forced to use external funds because of the inadequacy of their own profits as a source of finance. In contrast, the internally financed firms seemed to be in the comfortable position of earning enough profit to make them happy, but not enough to make them wish for more, and hence did not need external funds to finance expansion.⁽²⁴⁾ The previously mentioned motor trades study undertaken by Hebden and Robinson (1971) revealed that lack of sources of finance did not prevent expansion, as none of the firms interviewed reported that they had been denied finance, and only six of the 82 respondents claimed that they had searched unsuccessfully. Also, it was found that a large number of small firms were completely self-financing. However, the Dunning (1971) study found that the unsuccessful applicants for external finance were often in a vicious circle: they could not raise finance without a record of better profitability but they could not improve profitability without the growth which finance alone could make possible.

The study undertaken by Tamari (1972) highlights another problem - liquidity - as it was found that fast growers tend to be less liquid than slow growers.⁽²⁵⁾ The fast growing firms extended

* The Oxford Survey (Oxford University Institute of Statistics, 1955-56, and subsequently reported by Bates in 1964) consisted of 876 interviews with firms employing less than 500 persons, and analysed the financial accounts supplied by 335 such firms. The firms represented a very wide range of manufacturing industry, and were selected from those in ten widely scattered major industrial areas.

more credit to their customers in relation to their sales than slow growers. It was thought that this was the result of two factors, namely, the extension of credit as a form of non-price competition to increase sales; and the extension of credit to less credit worthy clients in the process of expanding sales. Another finding was that fast growers tended to have a higher rate of profitability than slow growers.*

Management motivation and attitudes can be a factor limiting growth. For instance, the Oxford Survey found suspicion was often expressed of institutions which specialise in providing finance to small firms. Dunning (1971) mentioned that some small firms have an irrational fear of falling into the hands of finance companies, i.e., there was an unwillingness to consider any equity participation; and Stanworth and Curran (1973) stated that the small firm entrepreneur may forego growth opportunities because on balance the associated costs - in social and psychological terms - appear too high.

Looking again at the Oxford Survey, it was reported that there was some evidence that small firms are not growth minded, in that 70 per cent. of the firms stated that they were satisfied with their development, and among this group were many which had remained stationary. Regarding expected future size, two-thirds of the externally financed firms stated that they would like to become bigger; and half of the internally financed firms had similar

* The findings were based on the replies from a sample of 2,115 firms to a postal questionnaire asking for accounting information for the years 1964 and 1968.

ambitions. Accordingly, internally and externally financed firms had different attitudes to expansion. The ambition of its managers may therefore be considered as the ultimate determination of a firm's growth on the basis that of the 524 firms which reported growth since 1950, only 116 said that they were dissatisfied with their performance. Further, of 799 businessmen who indicated the future size of their firms in terms of turnover, six said that they would like it to be smaller; 221 settled for the present size; and the majority of those favouring growth wanted it to be less than 100 per cent. (although some said 'as big as possible'). It was also found that ambition was significantly related to age because a third of the managing directors aged under 40 years wanted their firm to double in size compared with only eight per cent. of those aged over 70 years.

Penrose (1959) discusses firms which have refrained from taking full advantage of opportunities for expansion, and she suggests that many of these are family firms, whose owners have been content with a comfortable profit and have been unwilling to exert themselves to make more money or to raise capital through procedures that would have reduced their control over their firms.⁽²⁶⁾ For example, if an owner-manager wishes to substitute leisure for work, then excess managerial services - which could be used up on expansion activities - can easily be withdrawn from the firm if there is no desire to use them. In a similar vein, Carter and Williams (1956) say that a progressive small firm - such as a very small owner-supervised business with 6 to 30 employees - may make a living in competition with much larger firms by virtue of its simplicity and of the fact that every detail of the business can be supervised personally by the owner. However, this advantage of simplicity may be lost if

the business grows. Carter and Williams point out that they have found cases of successful small businesses whose owners are not anxious that they should grow further, lest they should extend beyond the span of the owner's direct control. This was considered to exemplify the general difficulty in moving from one type of managerial structure to another. Further, the unwillingness to make this move occasionally means that a good new idea - that may not be available for exploitation in other firms - is held back instead of being vigorously developed.

The survey of small firms carried out by Golby and Johns (1971) showed that the respondents' attitudes to growth were considerably influenced by the need to preserve independence. Attitudes to growth were found to be highly ambivalent, with many of the owners of small businesses appearing to be torn on the one hand by the desire to remain small and thus retain their independence and its concomitant personal satisfactions, and on the other hand, by the need (as businessmen) to conform to the idea of growth, almost as a moral imperative. The need for preserving the more personal satisfaction of independence won out in the majority of cases and there was a clear preference to maintain the business at its existing level of activity, and to pay only lip-service to growth. (27)

Argenti (1976) also discusses the influence of motivation on growth in respect of a small firm adopting a 'stay-small strategy'. (28) As a small firm grows, its problems multiply and it becomes progressively more difficult to run, and eventually the extent of its problems begin to increase considerably. When this point is reached, i.e., the 'critical mass', the proprietor or founder needs to employ someone to do almost everything he used to do himself; he needs to adopt

formal management systems; he loses the personal touch with employees; and the firm loses some of the advantages associated with its previous unobtrusiveness. Accordingly, a decision may be made to limit growth to a point well short of that which precipitates these problems. Nevertheless, the proprietor may still turn his attention to achieving growth in terms of increased turnover and profits by obtaining more efficiency, e.g., better utilisation of existing resources, increased productivity.

Another factor which may limit the growth of the small firm is the extent to which management resources are available. For instance, in one- or two-man businesses the necessary management skills and expertise may be available, but as the business expands it may be difficult for those responsible for running such a business to have adequate knowledge of all the skills necessary in this modern age. It would, therefore, be beneficial to bring in outside advice, but this can be costly and the cost may well prohibit the employment of consultants who could fill-in the deficiencies of the proprietors or managers.

In its evidence submitted to the Bolton Committee, the Institute of Chartered Accountants in England and Wales stated that one of the commonest situations encountered by professional accountants in their capacity as consultants is that of the small firm whose expansion has resulted in its outgrowing the management skills and experience available to it. (29) It is mentioned that all too often it is not until a firm has got into serious difficulties that it realises its inability to continue without outside help. It is suggested that before this typical and critical stage in the life

of an expanding but still small business is reached, outside advisory services such as management consultancy could often be of greatest value, as it is possible that the cost of the advice may be no more than a fraction of the potential benefits obtainable.

Of the 64 firms studied by Boswell (1973), 20 were described as 'young firms'. The performance of this group of firms was above average in respect of growth, profitability and innovation. Also, they showed an above average tendency to (i) be taken over; and (ii) obtain public quotations. The findings of the study tentatively suggested that the normal features of business infancy included shoe-string starting-points, high risks, poor premises, little spending on fixed capital, and great personal sacrifice made by founders. It was noted that in order to make a more efficient use of the young firm's scarcest and most precious input - its resources of managerial drive and skill - problems connected with self-management (e.g., work, leisure, health; psychology of delegation; logistics) should receive more attention in conventional training media. Apart from the problems of self-management, it seemed that the young firms were less likely to be affected by other management problems. It was suggested that personal counselling may be a better way of tackling the problems of self-management than the formal training course, and also, perhaps, it may represent an effective way of tackling problems occurring in other management areas.

Davies and Kelly (1972) mention that another problem created by growth for the small firm arises from the close identification of the owner-manager with the firm and the fact that the skills necessary to get a firm established may not be those which are

needed to build and subsequently manage a more formalised organisation.⁽³⁰⁾ Sadler and Barry (1970) suggest that charismatic leadership may be more appropriate to the entrepreneurial activity of founding a business and perhaps achieving rapid growth and change. However, a change in the character of management may be required if the firm subsequently operates in an environment which is stable and more ordered.⁽³¹⁾

Penrose (1959) deals with the firm in regards rate of expansion as an administrative and planning unit, and she says that since there is plainly a physical maximum to the number of things any individual or group of individuals can do, there is clearly some sort of limit to the rate at which even the financial transactions of individuals or groups can be expanded. The capacities, therefore, of the existing managerial personnel of the firm necessarily set a limit to the expansion of that firm in any given period of time. In the case of the small firm, for instance, where managerial services are supplied by from one to six men, or so, who are fully occupied in running the firm, expansion may depend upon spurts of 'overtime' activity which can only occur periodically. Further, it may be necessary that each expansion programme be fully completed, the operating problems solved and the expanded firm as a whole running smoothly before managerial services again become available for further planning - even on an 'overtime' basis. If all the available managerial services are absorbed in the running of the firm, then a very slow rate of expansion may well result; or if the managerial services become a fixed factor, i.e., they are unaltered by experience (which should enhance the knowledge of fellow workers and the methods of the firm possessed by each worker), then eventually diminishing returns must

set in. On the other hand, unused managerial and other productive services provide an incentive for the expansion of the firm. Penrose also mentions that, in general, the extent to which a firm can employ the most advantageous division of labour depends on the scale of its operations: if those operations are very limited, then the less can resources be used in a specialised manner.

The problem of management succession was discussed previously in this chapter. Regarding the influence of this problem on growth, the study of nine small firms by Stanworth and Curran (1973) showed that when succession from father to son occurred (in four of the firms studied) it was, typically, characterised by conflict of the type where an ageing and tiring founder - anxious to preserve the work of a lifetime - felt threatened at the sight of a son straining at the leash. A protracted battle on the issue of growth ensued, but the son was usually given his chance, with the father starting to limit his involvement in the firm.

Conflict surrounding succession in, say, family firms may well limit growth by absorbing managerial resources which otherwise could be employed on growth activities. As mentioned earlier, however, the managerial abilities of the succeeding generation may not match those of the preceding one. The Merrett Cyriax Associates (1971) study cited before, showed that in all the sectors considered, between 25 and 50 per cent. of the firms were controlled by a second or subsequent generation of the founding family. It was found that the founder managements - starting from the same or higher levels of turnover in 1963 - had growth rates of 118 per cent. on average over the seven years reviewed, compared with only 45 per cent. for

managements which were the second or successive managements to the founder. Firms which were under family management but with outside directors also had somewhat better growth rates at 61 per cent., while firms managed by individuals who had purchased a controlling interest had a growth rate of 56 per cent., and firms which had been taken over since 1963 had a growth rate of 97 per cent. From this evidence it was concluded that a continuous infusion of new entrepreneurial management is a critical factor in the growth performance of the sectors studied, both in the foundation of new businesses and in the re-invigoration of the old. Regarding the category with the highest rate of growth - the founder management - 60 per cent. had direct previous experience of the business which they subsequently founded. Therefore, it was considered that outstanding progress in management - as shown in growth of turnover - is by no means exclusively the province of specialists in the particular industry to which it relates. Another feature of the same category of management was the complete absence of any formal qualifications. Also, it was found that two-thirds or more of the managements of all the firms had no formal qualifications or degrees and that this was the case even in manufacturing where qualifications might seem to be of especial relevance.

The same study showed that the area of recruitment of management was extremely narrow with only 23 per cent. of management coming from categories other than the owning family, its friends or sole owners, among whom a very strong family interest was observed. It was noted that levels of remuneration were modest. However, the relevant findings suggest that the small firm provides an important field of opportunity and advancement for individuals, who because of

absence of qualifications (and other characteristics) would have little chance of comparable opportunities in sectors more dependent on formal qualifications, e.g., professions, large firms, government service.

The Oxford Survey (1955-56) of 876 firms employing less than 500 persons considered a number of factors affecting growth - difficulties of demand; shortage of skilled or suitable personnel; shortage of capital; difficulties in obtaining raw materials or parts; market dominated by large firms; patent restrictions; government regulation of entry (said to be); and miscellaneous factors. The factors which were specified most frequently were shortage of skilled or suitable personnel (215 firms); difficulties of demand (198); and shortage of capital - some referring to the high cost of plant and equipment (100). The more recent study by Merrett Cyriax Associates (1971) found the following percentage of respondents* admitting to a major restriction on growth mentioned:

- (i) Labour shortage: 32 per cent. (manufacturing); 38 per cent. (construction); 2 per cent. (wholesale); 30 per cent. (motor); 5 per cent. (retail).
- (ii) Credit: 21; 15; 2; none; 4.
- (iii) Trade credit facilities: 2; 8; 18; 6; 18.
- (iv) Selective employment tax: 9; 27; 32; 27; 24.
- (v) Others: 36; 12; 46; 37; 49.

The percentage of the sample not mentioning a restriction on growth was 22 per cent. (manufacturing); 23 (construction); 31 (wholesale); 37 (motor); and 60 (retail).

* Number of firms: manufacturing (133); construction (35); wholesale (91); motor (78); retail (80).

Concerning other restrictions on growth, Merrett Cyriax Associates mention that the ability of small firm management to override certain problems (i.e., criticisms of the government, tax or time wasted on form filling) or regard them strictly as 'fringe annoyances' appeared to be greater among the fast growers as opposed to the slow growers and decayers.*

The source of growth or decline was analysed into expansion of existing markets and a range of other factors such as new markets, new products, acquisitions and increased market share. In manufacturing, the slow growers derived 79 per cent. of their growth from expansion of existing markets while the fast growers obtained only 56 per cent. of their growth from this source: in other sectors the results were similar. In the case of the firms which experienced a decline in turnover, the analysis revealed that contraction of markets accounted for over three-quarters of the decline in all sectors other than construction, where it was roughly two-thirds. Moreover, in all sectors other than retail a fifth or more of the decline appeared to be attributable to managerial weakness. Therefore, the main conclusion to emerge was that exceptional growth was connected with new products, entry into new markets and improved market share: all of these factors were thought to be associated with superior management capability. Similarly, decline was thought to be strongly influenced by lack of management ability, hence the recommendations that a small business training centre and a small business recruitment centre be set up in order to create a more satisfactory market in small firm managers.

* Fast growers were those firms showing more than a 90 per cent. growth of turnover; slow growers had growth rates of less than 90 per cent. but more than zero; and decayers showed falls in turnover over the seven year period reviewed.

Penrose (1959) discusses certain environmental factors which may limit the growth of the small firm. For example, competition from large firms would determine their opportunities and would either confine them to certain activities in which large firms could not effectively operate - namely, market interstices - or abruptly shut off their growth in other fields where large firms could operate. Environmental conditions, therefore, would limit the growth of small firms regardless of their resources or entrepreneurial ability. Further, small firms, because of their size alone, are restricted by their environment to certain types of opportunity where the prospects of continued expansion are extremely limited. However, Florence, with Baldamus (1948) say that although small firms necessitate small plants, small plants - a small unit of operation - do not necessarily involve a small unit of control and in many industries, e.g., retailing, the multiple firm is widespread.⁽³²⁾ The same authors mention that small plants are also likely to be efficient in many trades if they are not identical with a small ownership, but are branch plants of a multiple firm. Even though large-plant industries tend to be larger-firm industries, large firms with many small plants flourish in industries where transport of scattered materials and products is still costly. Where there are large production centres, the latter seem to suit small owner-managed plants wherever specialisation can be developed. For instance, Andrews (1949) says that in many industries small businesses play an important part as sub-contractors to the large, with their relationship therefore being complementary rather than competitive.⁽³³⁾

Andrews also raises the point that the bigger business may not be so big in the size of its plant, with the latter being the most

important factor from the point of view of technical economies.

Where the size of the plant runs to a large figure, further growth may bring more technical economies. However, these may well be offset by the effects of the pressure that growth would bring in the local labour market: in such cases the big business may become multi-factory, with the size of any one factory being similar to that of a smaller business.

In the case of a new small firm, Penrose suggests that it may have to exert special efforts just to maintain its position, let alone expand. Consequently, current operations will absorb an extraordinarily high proportion of existing management resources. Once such a firm has become established, the proportion of total management resources which must be used up on operating problems may be relatively low, and growth may take place. However, if competition is intense and supply and demand conditions require constant adaptations, then the firm may not be able to do more than keep on its feet. If it does manage to expand, then the chances are that it will do so only slowly.

SUMMARY

In this chapter it has been shown that the small business firm may face any one of a number of different management problems, notably those which are related to company planning and development, organisation and management structure, management succession, financial management and administration, personnel management, production management and control, and marketing. Many of these management problems arise as a result of the small business firm having limited management capacity or resources, for instance, weaknesses in certain management areas due to the fact that personal

control demands an all-purpose manager capable of accomplishing a wide variety of managerial tasks, and that it is rare for one individual to possess all of the main functional management skills; or there may be no reserve of managerial manpower which can be used to both identify, and then offer permanent solutions to particular problems facing a business.

At some stage in the growth process of the small business firm management problems begin to multiply and as a result the business becomes progressively more difficult to control. This is often the critical stage, especially in the case of a business reaching the point where it has outgrown the management skills and experience available to it. The use of outside services may, therefore, prove to be of the greatest value when the small business faces the management problems which occur in the early stages of growth. These are often related to the need to formalise management procedures to cope with the increasing volume and the greater complexity of business problems, i.e., it becomes necessary to establish an effective administration to control what has now become a going concern. Others may be concerned with acquiring adequate finance, certain specialist management skills, or with management succession, or they may be connected with management motivation and attitudes, or perhaps with environmental factors.

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CHAPTER 3

RESEARCH METHODOLOGY

As data was possessed on the marketing subsidiary discussed previously in Chapter 1, Section 1.1, it was used to prepare a case report on a small firm that had achieved growth while using outside services. The intention was to present the case report in support of the argument that the use of outside services can be a factor influencing the growth of a small business firm. Included in the case report were details of the firm's organisation, the reasons for using outside services, the types used, the benefits resulting from this use, e.g., the management areas which had been strengthened, and lastly an assessment of the influence which the use of these outside services had had on the growth of this firm. Data was also possessed on the firm providing the outside services, and this was used to prepare another case report so as to present a balanced picture of the provision and use of outside services. The report included details of the provider's organisation, the types of service offered to smaller firms and the marketing methods employed.

The next part of the study was concerned with collecting data on providers and users, with the aim being the preparation of about three case reports on each. In order to accomplish this a sample of providers was drawn up on the basis of a substantial part of available services being offered to smaller firms, or exclusively to small firms. The sample was drawn from three sources, namely a small number of providers known to the researcher; listings in the Register of Management Consultants and Advisory Services to Industry ⁽¹⁾; and information gathered from a survey of consultants and advisory organisations.*

* The survey of consultants and advisory organisations was undertaken to gather material for subsequent inclusion in a review of outside services, with this forming Appendix 1.1. The sample surveyed was drawn from the Register of Management Consultants and Advisory Services to Industry, and it consisted of 34 consultants of various kinds and 34 advisory organisations. The organisations in the sample were asked to supply details of the services which they offered to small firms. 18 consultants and 22 advisory organisations responded, and subsequently a number of these were/continued

Apart from one exception - which was in the agency and bureaux category - the providers in the sample were firms of management consultants.

Twenty providers were finally approached and asked to co-operate by supplying information on their activities, and also by referring the researcher to one of their small firm clients that had undergone growth while using the outside services. The two questionnaires which were used in this part of the study will be found in Appendix 3.1 From the appendix it will be seen that the questions directed at the providers covered organisation, services available, marketing services and some general topics; and those for the users covered organisation, growth, outside services used and the influence which the use had had on growth. The influence was to be determined by obtaining the opinion of the managing director (director, partner or proprietor) on whether or not the use of outside services had proved to be a factor influencing the growth of that particular small firm.

The response fell short of the target as only two providers supplied enough data to facilitate the preparation of case reports - see Chapter 4, Case Reports OSF/1 and OSF/2 - and only one of these (OSF/2) referred the researcher to any small firm clients. However, three case reports on users were obtained - see Chapter 5, Case Reports U/1, U/2 and U/3. The fieldwork on the providers and users was undertaken between April and November 1974. Although three case reports on users were obtained, there was insufficient data contained in them to facilitate the preparation of a strong argument. Another problem faced at the time was that the verification of the data contained

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interviewed by the researcher, e.g., CoSIRA, Barclays Business Advisory Service, management consultants, financial management consultants, personnel consultants.

in the case reports on the marketing subsidiary and the provider of outside services could not be obtained. The two case reports were not, therefore, incorporated in the study.

As a result a fresh approach for collecting data was devised. The bases comprised concentrating on the users and, firstly, surveying a number of small firms which may have used services from the four main sources, namely, consultants, advisory organisations, finance organisations, and agencies and bureaux. Secondly, ascertaining which of the main management areas had been strengthened as a result of using the outside services, namely, general management and organisation, financial management and administration, personnel management/development/training, production management and control, and information and general advice. Thirdly, obtaining a more balanced picture of growth by considering any other factors which may have contributed to growth in terms of an increase in sales turnover, namely, increased demand, increased production facilities, marketing activities, acquisition/merger, and greater competitiveness. Fourthly, studying a number of user firms in more detail in relation to the above, and also regarding general topics such as the limit to growth and achieving growth without using outside services.

The industry that was selected as the subject of the survey was the printing and allied trades, with the selection being made on the following grounds. Firstly, one particular industry was selected in order to avoid the problems associated with a multi-industry study, namely sample design, analysis of data and interpretation of results. Secondly, the researcher was familiar with the industry in that a technical and technological knowledge of printing was possessed, together with management experience in the smaller firm sector. It was expected that these factors would prove to be helpful with the planning and execution of the survey. Thirdly, apparently research of this nature had not been previously undertaken in the industry.

Fourthly, the very great majority of the firms in the industry employ less than 200 persons.

A sample of 195 printing firms was drawn up from listings in the Printing Trades Directory 1974 - 1975.⁽²⁾ The sample consisted of 155 firms listed as employing up to 200 persons, and 40 firms which were judged to be within this size limit on the bases of their legal identity, printing activities and technology employed. It was considered that few of these firms would fall outside of this size range. The firms were located in the counties of Avon, Somerset, Gloucestershire and Wiltshire.

A detailed questionnaire was prepared for the Printing Industry Survey, with this being re-produced in Appendix 3.2. A shortened form of this questionnaire was produced and then sent to the firms in the sample at the beginning of November 1975. This particular time of the year was chosen because it was known that the end of the year is often a quiet period for many small firms in the industry. It was therefore hoped that this timing would contribute towards a good response, with the target response rate being set at about 30 per cent. Thereafter it was hoped that about six firms could be interviewed in order to study them in more detail along the lines previously mentioned.

There were 61 analysable replies to the postal questionnaire - see Chapter 8, Questionnaire Survey - with this representing a response rate of approximately 31 per cent. Of these replies about half indicated that they would be willing to be interviewed by the researcher, and subsequently nine firms were visited in February and March 1976 - see Chapter 9, Fieldwork on Influenced Users.

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CHAPTER 4

CASE REPORTS ON PROVIDERS

4.1 CASE REPORT OSF/1

ORGANISATION

Late in 1971 about twenty individual management consultants established a co-operative consultancy organisation. The aim was to provide an economic management consultancy service to the smaller firm sector. Also, the founders were anxious to preserve their independence, although they intended to operate with a single corporate name.

The consultants had previously studied the problems of providing management consultancy services to the smaller firm, and it was concluded that the larger firms of management consultants were not really geared to operate in this field. The reasons for this were firstly, that high operating costs dictated the undertaking of assignments lasting for at least three months, preferably six to twelve months; secondly, there was a standard practice of working in teams; and thirdly, internal training schemes were operated, with individuals being recruited from universities/business schools and trained in consultancy, provided with reference manuals, and then set to work initially under a field supervisor.

The company therefore decided to recruit management consultants possessing formal qualifications, and with previous consultancy and management experience in the smaller firm sector; to provide certain centralised services for the individual consultants; and to trim operating overheads by obviating the need for long distance travel and hotel accommodation.

At the time of the fieldwork (October 1974) there were over 200 consultants working for the company. These consultants were organised into a number of multi-disciplinary teams located in various parts of England and Wales. Five regions were established, with each region being divided into eight to ten areas. A typical area has a population of approximately one million people, with the area being covered by one team of management consultants. Disciplines are not duplicated within a particular team unless there is an excess of work in a certain management area.

After passing through a lengthy selection procedure conducted by three or more of the company's directors, plus a meeting with a local team if necessary, the newly recruited consultant pays a registration fee on joining to cover recruitment costs, and thereafter an annual subscription of about £200 to cover the cost of the central services provided by the company. The latter includes the giving of general advice to consultants in the field; brochures, letterheads and visiting cards are supplied to give the company a national image; monthly meetings are held and the minutes are sent to all consultants; an internal newsletter is produced monthly; and the central office advises by means of policy memorandum, assignment memorandum and internal seminars. The directors visit banks, finance houses, etc., at director level, and also a number of government departments, the CBI, the BIM and other professional institutes, for the purpose of exposing the company and the various services which are offered. A full-time director is in charge of the central office, while the other five directors work on a part-time basis, although they have clearly defined responsibilities, e.g., financial and government affairs. Policy decisions are made by a council which consists of the directors and certain consultants representing their colleagues in the various regions. The activities of consultants are controlled by means of a contract of employment and the

company's operating policies. Also, a consultant will be expected to abide by the code of conduct and practice as laid down by the Institute of Management Consultants, and so forth.

SERVICES AVAILABLE

A team usually consists of consultants with specialisations in marketing, production, finance and administration, office methods, personnel and training, company development and planning, supported by qualified people in certain management techniques. Activities also include in-company training and recruitment. The range of specialist skills possessed by a team are very unlikely to be found within a smaller firm, though they may be needed from time to time. Also, the company will provide a follow-up service of the required frequency and depth of involvement for implementing recommendations made to a client.

Smaller firm clients are not serviced by a team as such, but by a team consultant possessing the required discipline. This consultant will take full responsibility for an assignment, most likely undertaking it solo, though discussing it with team colleagues away from the client's premises. Only when it is really necessary for a consultant possessing a different discipline or specialisation to personally take a look at the way an assignment is being undertaken will a second member of a team go into a client firm. Moreover this will happen only after the agreement of the client has been obtained. This policy is adhered to because a team tends to frighten-off the management of a smaller firm. Accordingly they are

not employed unless it is essential to the success of an assignment.

No charge is made for initial interviews - the proposal and costs are detailed, with the client being free to decide at this stage whether the service is required. Moreover, the proposal may be outlined in more than one stage, thus availing the client of the opportunity of committing his firm gradually as the proposal is executed, instead of contending with uncertainty. In addition, the company has standard terms of working, allowing a client to close down a contract by giving seven days notice.

The company claims to be particularly interested in helping firms which consider that there is a need for additional finance. In such cases the aim is to ascertain if the client firm is making the best use of existing resources. If additional funds are needed, advice will be given on the most suitable form of finance, together with the preparation of a detailed supporting application. It is believed that this service is not only valuable to the client but also to the bank or the other lending institution that is assessing the viability of a proposition. The consultant is also available to attend any meetings connected with the acquisition of finance.

The company acknowledges that often a small firm is established by a qualified individual possessing a specialised knowledge in his field. Therefore the company would not propose to advise a client within his area of specialised knowledge. However, small firms simply because they are small have a limited number of qualified managers. Therefore mixed with their strengths there are also likely to be weaknesses: for instance a firm may be strong in design, production and marketing, but weak in finance and administration. The company sees its real task as the location of these weak areas and subsequently improving efficiency.

Services can be provided on a continuing basis, or in the form of an individual recommendation and its implementation. For example, a small firm client may need the services of a management accountant, but have insufficient work to justify employing one full-time. In such a case the appropriate services will be provided as and when needed, with the client paying accordingly, and in this way the costs of employing a full-time manager in this function are not incurred, but the necessary expertise becomes available on a continuing basis. A client may have a specific short-term problem such as a recurring production bottleneck that requires the setting-up of a practical production control procedure: the company will deal with this as a single assignment, and once completed the client's commitment would be at an end. Elsewhere a consultant could be used to plan a firm's future development and thereafter the firm could, perhaps, have the same consultant chair a once-monthly meeting to assess the progress made according to the corporate plan. When this kind of service is obtained it is virtually equivalent to engaging the services of a non-executive director, but without having to make a formal board appointment.

At the outset the company established a financial policy of being a non-profit making concern, and taking no commission on the fees earned. As a result of this a firm that engages a consultant will probably pay half the fees usually charged

by one of the larger consultancy companies, i.e., £50 per day as against £100 per day. At the same time the company's consultants receive £50 per day whereas the consultant working for the larger consultancy firm will most likely earn only £30 per day. Therefore a firm employing the services of one of the company's consultants will pay £50 per day for a consultant worth £50 per day.

In practice, the cost to the client depends upon the expertise needed, the duration of the assignment, the amount of travel involved, whether there is a requirement for a monthly analysis, and the job satisfaction of the consultant undertaking the assignment. On average the company will make an inclusive charge of between £40 and £60 per day, inclusive of all overheads and travelling.

MARKETING SERVICES

Across-the-board the company has found that the marketing of its services has posed many problems, particularly as some restrictions exist on advertising professional services. In practice, the teams of consultants find out about smaller firms in their areas and then approach them to see if the company can be of help. Recommendations from past and present clients

assists with the acquisition of new business, though this situation transpires only after a long period of time has elapsed. The company stands by the work done by member consultants, but if a complaint is made by a client it is investigated, and if justified put right without any costs being passed on to the client. New fields of activity such as executive recruitment are promoted under the corporate name, but the consultants conduct interviews and make the final selection. In general the promotion of the corporate name and aims has been an uphill struggle, but success is expected mainly because of a determination to give a good service.

The company claims that it will undertake every assignment that comes its way. If a local team of consultants is too occupied, and if it appears useful to do so, then a member consultant from an adjacent team will be brought in to do the assignment. On the other hand some members of a team will undertake assignments while some of their colleagues will be surveying for new jobs: this arrangement represents a continuous process that a lone consultant cannot maintain.

Thus each team member expects that a fair proportion of his time will be occupied with some aspect of the local marketing activities. Salesmen are not employed as the company considers that the managing director of a smaller firm wishes to talk directly to a consultant, and preferably a local man at that. Therefore the consultancy operation was established along these lines.

The company has found that within the smaller firm sector of the economy there exist firms which refuse to talk to any professional adviser, and those who call-in the same whenever there is a need. Smaller firms are increasingly recognising or have been forced by circumstances to do so, that unless they are efficient

they will go to ruin and that if sensible down-to-earth qualified advice can be obtained at the right price, then it is worth having. Marketing services has presented many problems, e.g., the managing director of a small firm who has been successful over a number of years understandably tends to say:

- 'What makes you think you can tell me how to run my business more efficiently when I have had so much experience of this particular product and you have none.'

Consultancy for smaller firms was oversold some years back and the backlash still exists. It is considered by many to be too expensive and an activity where the meter starts ticking as soon as the consultant crosses the threshold.

(October 1974)

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4.2 CASE REPORT OSF/2

ORGANISATION

The origins of this company can be traced back to 1960 when the founder, a Certified and Corporate Accountant, established an accountancy firm in S. West England that specialised in the production of weekly, monthly and quarterly management accounting information for business firms. The decision to provide the service was influenced by the founder's previous experience of working for a professional firm of accountants, and the consideration that some of the work undertaken by such firms was too historic and negative in nature, as the production of financial information a long time after the end of a particular accounting period limited the amount of corrective action which could be taken by management. At a later date management consultancy services were added to the accountancy activities. In 1963 a decision was made to specialise exclusively as management consultants to the motor trade in the U.K., and for this purpose a company was formed in July 1963 with offices located in Totnes, Devon. The company was financed with personal capital of £5,000 plus £5,000 obtained from Dartington Hall Trustees. The decision to specialise was, according to the founder, almost an accident but it was really influenced by the previously mentioned professional experience, a recognition that the motor trade had a need for consultancy services which would increase efficiency, and also the founder's general interest in the industry.

In 1964 the company was retained to design and launch a business management system to be used by Standard-Triumph distributors and dealers. Subsequently business management systems were designed for another six vehicle manufacturers. In addition a number of consultancy and lecturing assignments was carried out for the same clients. Also

in 1964 the company established a management centre in Totnes to organise and run courses for the retail motor trade. Assignments were undertaken for the Motor Agents' Association (MAA), including a warranty investigation and other reports, leading to the company's appointment in 1967 as the approved management consultant to the MAA and its 20,000 members.* The company's staff have been speakers at numerous MAA conferences, seminars and courses and these have been attended by over 30,000 motor trade executives. Elsewhere speakers have been provided for courses arranged by other trade associations and also by professional bodies. The founder has written three books and six booklets on management topics for the MAA; had three books on accountancy and stock control published by the National Economic Development Office; and he has written numerous articles⁺ for the motor trade press and several for the national press. The company presently operates from offices in Bath, and although it still provides training and consultancy services, there is now a further specialisation in operating an information, advisory and research unit for progressive firms in the retail motor trade. The unit sends out information, trade abstracts and reports on current management topics to firms which subscribe to the service.

The appointment of the company as the approved consultant to the MAA was an important factor influencing its development, as the MAA

* As at 31st December, 1973, the combined membership of the Motor Agents' Association and the Scottish Motor Trade Association was 18,153 members. Source: Motor Agents' Association annual report 1973, p.24.

+ These articles have been published in Motor Management, Motor Trade Executive, Body, Motor Trader, Autotrader, Motor Industry, The Times and The Daily Telegraph.

represented garage businesses* whose combined turnover then amounted to approximately 85 per cent. of the trade's turnover in the U.K. Accordingly, the appointment received considerable press exposure in the trade — provincially and nationally. Although the MAA had a priority claim on the company's services, e.g., concerning investigations, research and operating an inter-firm comparison scheme, the agreement also enabled member firms to obtain consultancy services on payment of a separate fee.

In order to provide the necessary services the company recruited a team of consultants well experienced in the trade. The organisation was structured as follows:

Management Services Division. This was staffed by qualified accountants experienced in installing clerical and accounting systems to produce accurate monthly management accounts, and also by a market research specialist. The latter was to undertake area surveys and to prepare marketing plans. As well there was an intention to assemble a team of specialists to undertake assignments in work study, organisation and methods, building design and layout.

Technical Services Division. This was staffed by executives with extensive practical experience of the retail motor trade. Also a team of sales, service and parts specialists — previously senior executives in the trade — was to be formed.

Selection and Training Division. This function was established to assist clients with the recruitment of staff, and to control the activities of the Totnes Management Centre which was running the MAA-sponsored training courses.

* Nearly 50 per cent. of the MAA membership in 1967 were garage businesses employing on average 6 persons. The magazine GARAGE, 6th January, 1968, stated that there were approximately 45,000 garage firms in Britain at that time.

The agreement for the provision of consultancy services was for a four-year period, and it has since been renewed. The MAA's decision to select the company was based on three factors. Firstly, although other consultancy firms were available to advise competently on the management problems in the trade, it was considered that the company had more extensive experience, and that by channelling this experience through the MAA to its members the greatest good for the greatest number would be provided. Secondly, the company had expressed its willingness to take on additional staff in order to cope with the anticipated increased in the demand for services. (At the end of 1967 the company had 15 staff on its payroll.) Thirdly, because the company specialised exclusively in the trade, it was apparent that there was no need to conduct a basic investigation whenever an assignment was undertaken, hence the users of the services would pay less. At the time the founder was reported as saying:

- "We are convinced that by specialising entirely in the problems of the garage trade we can offer a far quicker, more effective and more economic service to our clients. We feel there is immense scope for providing a specialised consultancy service to the motor trade in this country, but ultimately we hope that it may be possible to operate on an international scale." *

* Reported in Motor Trader, 3rd January, 1968.

The continued expansion of the company resulted in a necessary re-organisation in May 1969 to form a group of three limited companies based upon the diversionalisation of late 1968. Accordingly, Management Services Limited was headed by the founder and was to maintain its interest in the provision of management consultancy services, to co-produce publications with the MAA, and to operate the inter-firm comparison scheme. Selection and Training Limited and Technical Services Limited were headed by another managing director - a newly appointed outside recruit. The former company was set up to expand services with particular reference to residential courses and staff training in all fields, including training at garage premises. The latter was to provide a full design service to dealers covering the layout of premises, install workshop incentive schemes, and present lectures to the trade. As a part of this re-organisation the company moved into new offices located in Bath.

In July 1973 the company was again re-organised as a result of the founder searching for an effective way of providing consultancy services more profitably - this was achieved by introducing a subscription service in the form of the Profit Improvement Unit. In November of the same year the company marked the tenth anniversary of its establishment to provide services to the motor trade by holding a two-day conference in Bath. At the time of the fieldwork (July 1974) the company employed about seven people on consultancy and advisory work, namely in the areas of general management consultancy, general and departmental training in the motor trade, financial and accounting services, technical consultancy, motivation and management development, and marketing. In addition a few administration staff were employed, e.g., an administration executive, an assistant editor, a librarian and a printing executive.

SERVICES AVAILABLE

The various services which the company offers to firms in the motor trade will be covered in more detail in this section.

1. Management Consultancy Because the company specialised in one industry management consultancy assignments could be executed promptly, with the client paying reasonable fees. Assignments which required the presence of the founder cost the client £100 per day plus expenses, and the cost of employing other members of the company's consultancy staff was between £60 and £80 per day plus expenses. According to the company these costs compared very favourably with those charged by other management consultancy firms. For instance, a firm in the retail motor trade that employed one of the well-known national consultancy firms might well pay £400 per month on the basis of a three-month assignment. In comparison, the company would complete a similar assignment in about six days and charge between £360 and £600. Assignments can be completed more quickly because there is no need to start a survey from scratch, i.e., the main benefit of specialisation is an easy access to the required information which forms the framework of an investigation.

The types of management consultancy undertaken included the comprehensive survey of a business, technical consultancy, the introduction of incentive schemes, the giving of general advice to executive management, and executive selection and associated procedures.

Some assignments are more technical in scope, for example, technical design services can produce anything from a revised layout for existing premises, to the planning and design of new premises. The founder contends that all too often firms in the industry invest in new premises on which there is little hope of earning a satisfactory return. Often the only requirement is for a revised layout to bring about a more effective use of existing facilities.

In the case of developing existing facilities, or even designing and building new premises, the necessary activity should therefore form part of a specific plan for growth.

Several of the company's clients have in the past experimented with different types of incentive scheme. One scheme which has proved successful is a co-operative incentive scheme recommended by the company and used by repair firms in the industry. The scheme operates with the repairshop manager drawing-up a three-month objective in line with the annual profit plan, with the bonus being paid when the objective is realised. An additional bonus based on an agreed formula is paid when the direct departmental profit exceeds the target figure, and when earned both bonuses are paid in addition to a guaranteed weekly wage calculated at the time of introducing the scheme on the basis of average earnings over the previous three months. At one time the company carried out a survey of clients using incentive schemes of one kind or another. It was ascertained that the average direct profitability per mechanic ranged between £1,000 and £1,600 per annum, with £2,000 per annum being the highest figure recorded. In contrast, clients which did not operate incentive schemes returned corresponding figures in the range £750 to £900 per annum, with £50 per annum being the lowest figure given.

The company's staff give general advice to the executives of client firms. In relation to this the founder mentioned that the directors and managers of many small firms become so involved in the day-to-day practical work of running the business, and also with historical problem-solving, that too little time, if any at all, is allocated to the activity of forward planning. Directors should therefore spend some time each year - say a few days or so - taking a detached and critical look at operations, objectives and any factors which might have a bearing on the effective management of the firm.

The executive selection services offered by the company follow the procedure of a consultant visiting the client firm to meet members

of its management team; performing an impartial assessment of the future development of the business; writing a job specification after careful consultation with the client; preparing effective advertising copy and inserting it in the right media; spending sufficient time to process application forms, interviewing candidates and preparing a short-list; obtaining positive medical advice on fitness factors which may affect executive performance; and maintaining a close liaison in connection with the final selection.

2. Accounting Systems The company's founder maintains that there are still too many firms in the industry which operate with inadequate information on the profit or loss of operations being carried out, and that no business can be run effectively if management accounting information is not produced on a regular basis.* Also the production of annual financial accounts many months after the end of the financial year benefits the business only in respect of the settlement of tax liabilities. Accordingly, the company suggests that in order to manage a business in the industry effectively, the minimum requirement is to produce management accounts every quarter. However, even though there is such a need many small firms in the industry do face problems preparing accounts. Rightly or wrongly the owner may not want to spend too much on clerical salaries, or competent book-keeping staff may be difficult to recruit. Even when competent staff are employed, the day-to-day pressures of work, illness and other problems can often slow down the production of monthly management accounts. The company has advised clients on ways to overcome this problem. For instance, some firms of accountants have set-up management accounting sections to help their clients with the production of quarterly or monthly

* A survey on this subject carried out by the industry's Little Neddy revealed that out of the 70 garages which co-operated and sent information, there were only 40 producing some form of analysable accounts, 10 garages produced account totals only, and 20 produced no satisfactory accounts at all.
Report on accounting systems and their effects upon profitability.
Economic Development Committee for Motor Vehicle Distribution and Repair. London. HMSO. 1974.

management accounts. The extra costs incurred can be partly offset by the fact that it then becomes unnecessary for the accountant to produce annual financial accounts in the traditional fashion: he merely combines the quarterly or monthly accounts. Elsewhere there are various local accounting machine and computer bureaux offering accounting data processing services.

One computerised management accounting service (introduced in 1973) was based on a management accounting system developed by the company in conjunction with the MAA and the Vehicle Builders and Repairers' Association (VBRA). The service is suitable for firms of all sizes in the industry, all types of operation and franchise, and there is a 'low cost package' to suit the requirements of garages employing about ten employees. In the case of small business firms the cost of the service is said to be less than the monthly cost of a part-time clerk, and the operators claim that the service can become operational in as little as three days.

The firm offering this service considers that the information produced can subsequently assist the user when additional outside finance is being sought. Also, the system effectively answers one criticism of the industry made by the founder:

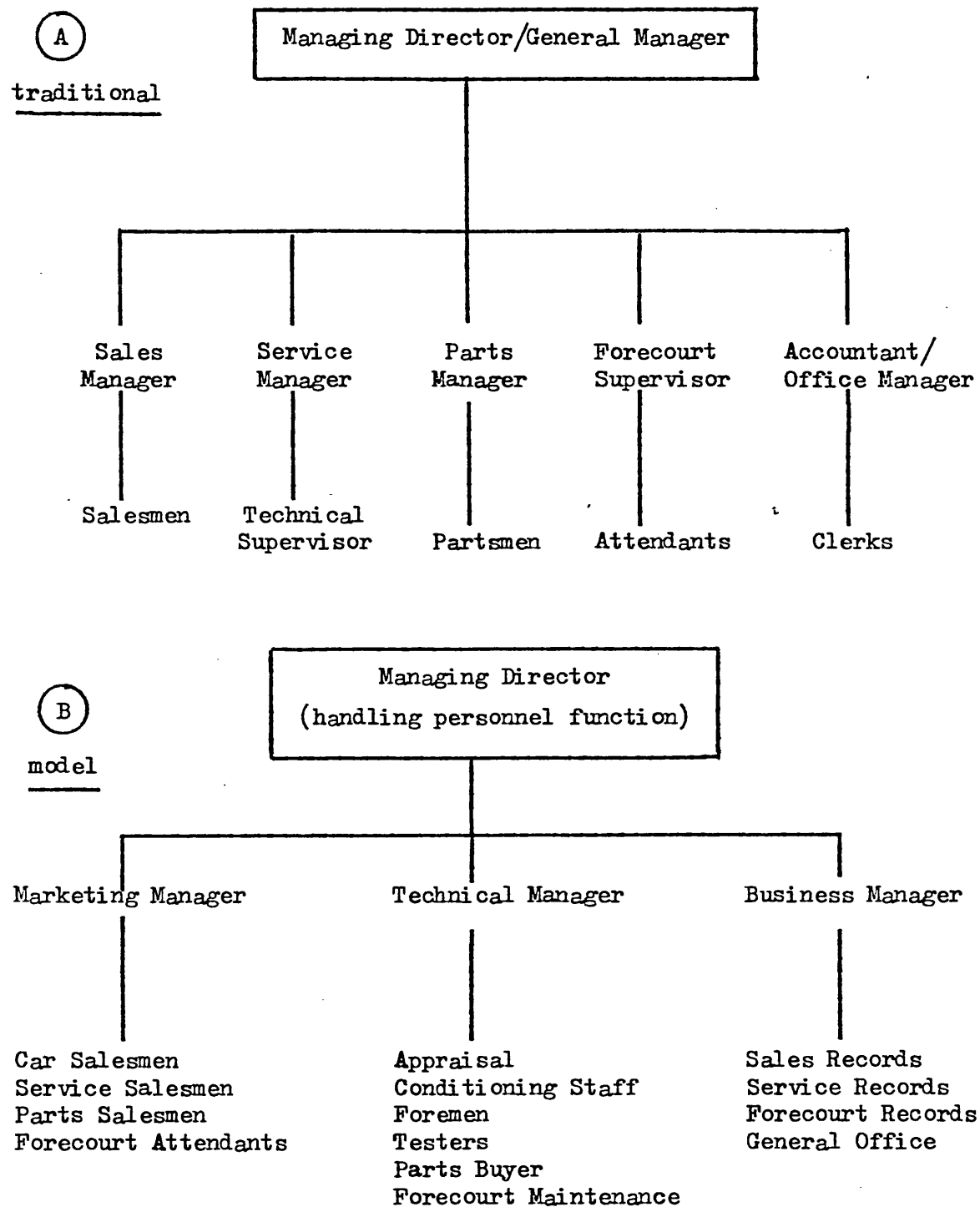
- "Many sections of the trade were slow to adopt management accounts, or introduced systems which concentrated on figures for the sake of figures, instead of systems which highlighted what the figures meant."

3. Model Organisation

As a result of the experience gained by the company in advising clients on problems connected with the organisational structure of their firms, a model organisational form was introduced in 1973 to replace the traditional garage organisation structure which originated some fifty years ago. The company advised clients to adopt the new form of organisation in order to cancel out inherent inter-departmental conflict, to improve marketing, and to facilitate the employment of more specialist management skills.

The traditional organisation structure of a small firm (e.g., a firm employing up to twenty-five persons) operating in the retail motor trade forms Part A of Illustration 4.1, overleaf. The company's consultants have in the past found that this form of organisation can frequently lead to formal inter-departmental conflict, much of it negative and destructive in nature. Examples of the types of conflict between different departments observed were sales conflicting with service over the conditioning of vehicles, service conflicting with parts over the availability of replacement parts, forecourt conflicting

Illustration 4.1 : Traditional and model organisational forms of the small firm operating in the retail motor trade, Case Report OSF/2

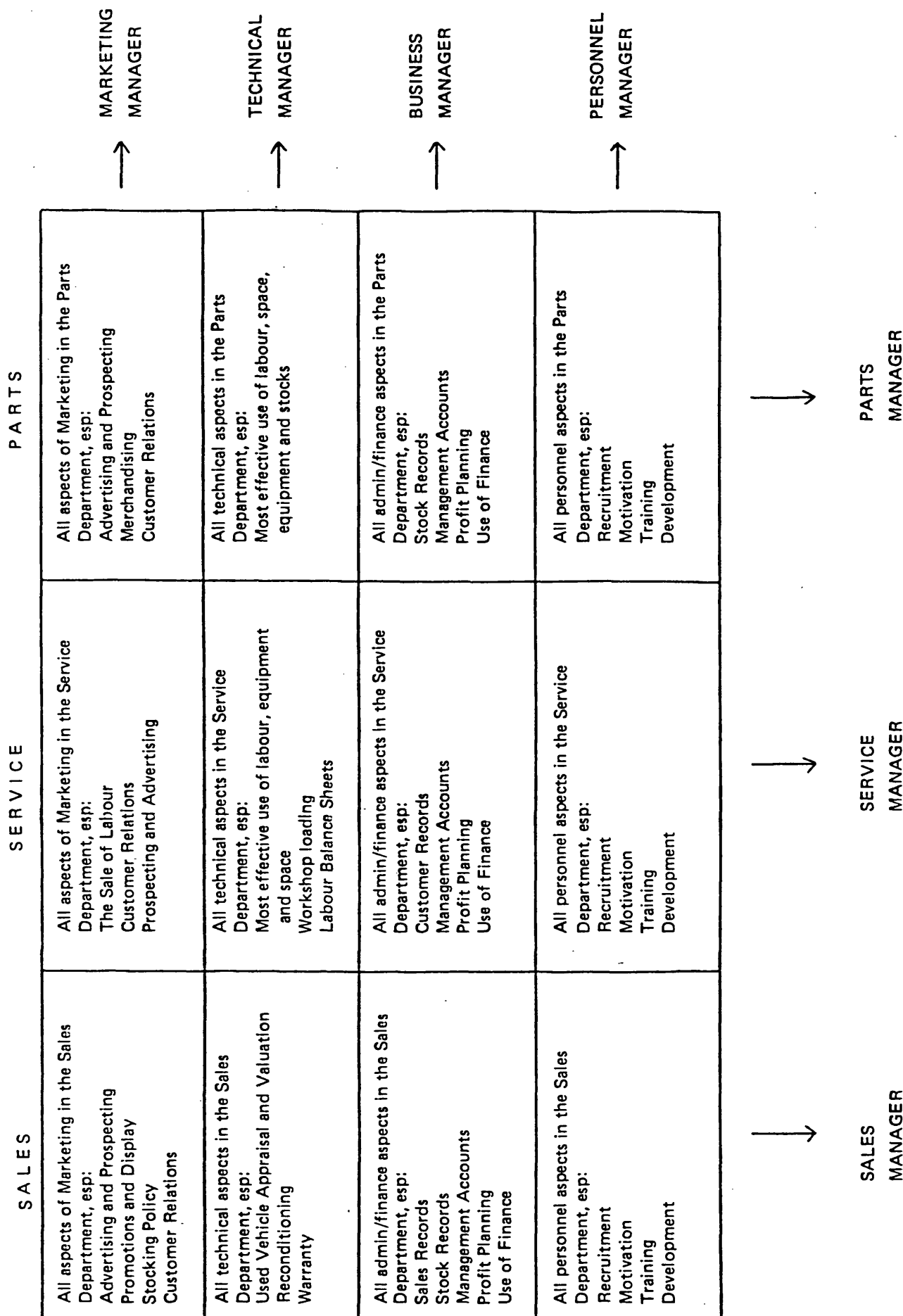


with other departments over the indiscriminate parking of departmental vehicles, and the office conflicting with other departments over the lack of priority given to essential departmental paperwork. In the marketing area the total effort was often viewed as ineffective because departmentalisation led to fragmentation and consequently there was no co-ordination between the different departments. As a result of departmentalisation each manager needed to be competent in marketing, technical aspects, finance and administration, and personnel matters. However, it is often very difficult to recruit a manager qualified in all these areas.

The 'new-look' or model organisation embodied a specialisation in the areas of marketing, technical aspects, business administration and personnel management. A comparison of the areas of management responsibility existing in the two forms of organisation will be found in Illustration 4.2, overleaf. Part B of Illustration 4.1 is an outline of the model organisation adapted to suit the requirements of the small firm in the industry. Assuming that the managing director absorbs the responsibility for managing the personnel function, the above organisational model necessitates the employment of three specialist managers as opposed to the five departmental managers employed with the traditional organisation. The company's consultants consider that the adoption of this form of organisation enables the client to either reduce expenditure on management salaries or spend the money saved on recruiting better qualified managers.

4. Training Since the beginning of 1968 the company has run management training courses and seminars which in total have covered a wide variety of management topics. Many of these courses have

Illustration 4.2 : A comparison of the areas of management responsibility existing in the traditional and model organisations adopted by firms operating in the retail motor trade, Case Report OSF/2



been sponsored by the MAA and have received RTITB approval, and all the courses have been publicised in the trade press. Courses have been held at different venues throughout England and Scotland and apart from one-day management seminars the courses were residential and ran for two, three, four or five days. Since the middle of 1969 many courses, seminars and conferences have been held in Bath. Also some courses have been repeated, e.g., a series of four residential training courses for executives held in Bath was run four times. Training courses have covered the broad areas of general management, motivation and marketing.

Many of the seminars and courses offered by the company have been devised in consultation with the Management Training Committee of the MAA and have been promoted through the Membership Activities Department of the same body. Individual attendances have varied according to the type of training activity: for training courses lasting several days attendance ranged from 5 to 25 members (average approximately 16 members) and the attendance on the short courses ranged from 35 to 100 members (average approximately 60 members). The company has also been involved in the planning and presentation of management and supervisory training courses run by the Road Transport Industry Training Board for Northern Ireland, and also with short courses run by the Motor Cycle Association. The company judged that in the period 1968-71 a large number of firms were supporting courses on the grounds of recovering fees from the ITB. Since then it has been found that potential benefits to be gained from attending have been considered before other reasons.

5. Advice on Marketing Against the background of change in the industry and the rationalisation of retail dealerships, there has been a need to improve marketing techniques and to acquire advice on changing a franchise and on specialising in one of the industry's various activities, e.g., servicing and body repairing. Accordingly the company offers advice and makes suggestions to clients. In addition information and motor trade statistics are made available. For example, an area survey can be undertaken to assess market potential against the capacity of a client's business, departmental analyses can be carried out to ascertain the strengths and weaknesses of marketing, staff effectiveness, profits or losses, and field research can be conducted to ascertain customers' opinions on a client's business and its competitors.
6. Subscription Services In 1970 the company studied the requirements of executives working for progressive firms in the industry. As a result certain needs were identified, namely:
- (a) The availability of independent and objective guidance on future trends in the industry, with particular reference to the corporate objectives of individual firms.
 - (b) Access to specialist advisers capable of applying their knowledge to the problems of the industry in a practical fashion.
 - (c) Receiving information to assist decision-taking.
 - (d) Facilities for executive counselling.

The company considered that the above services could be provided at a reasonable cost if a number of firms joined a subscription service.

Accordingly such a service was launched in April 1971 in the form of a Profit Improvement Unit (PIU): membership subscriptions at that time ranged from £300 to £1,000 p.a., according to the size of

the member firm. On joining, the firm receives a visit from a consultant for the purpose of carrying out a detailed study covering such topics as the supply of new vehicles, the existing use of premises and the space available for future development, existing profit margins, the use of capital employed, an appraisal of the existing organisation structure and staff employed, and lastly the development of the organisation in terms of any planned increase in turnover.

The other services available from the PIU include, firstly, access to the company's consultants (by telephone, letter or personal visit) whenever a member needs advice on management problems; secondly, a twice-yearly visit from a consultant for the purpose of advising on general management problems; thirdly, participation in 'monthly surgeries' lasting for one day and usually consisting of an open session where visiting executives discuss problems of mutual interest with a team of consultants, and individual/private discussions on particular problems with a consultant qualified in an appropriate discipline *; and fourthly, the publication of information sheets, abstracts, statistics and reports on various subjects related to the industry. +

* The 'monthly surgeries' were held in Bath and at certain regional centres. The consultants attending specialised in areas such as sales, service, parts, forecourt, finance, general management, marketing, advertising, public relations and industrial relations.

+ In June 1974 the Profit Improvement Unit had about 300 members. In addition, another 100 firms subscribed either to the weekly abstract service (cost : £42.50 p.a.) or to the weekly report service (cost : £82.50 p.a.).

MARKETING SERVICES

In the past the company faced a number of problems connected with the provision of services to the smaller firm sector of the industry, namely, recovering operating costs, recruiting and retaining qualified staff, tackling the management problems of garages running several different activities, persuading firms in need of outside help to accept advice, exposing weaknesses in client firms, and absorbing the day-to-day pressures of providing services.

On the subject of recovering operating costs the founder commented that servicing the needs of small firms was often uneconomic as fees based on actual costs were too high for the small firm client to bear. Therefore a decision was made to specialise further by offering subscription services to a larger number of clients. * The recruitment and retention of qualified management consultants proved to be difficult because a consultant from a large management consultancy practice, although an expert in a chosen field, tended to be ineffective when clearly defined procedures could not be followed. Unlike a large firm of consultants the company could not afford to run its own training schemes for new recruits. The former would train the new recruit on operating procedures for about six months and then experience would be gained over a further six months working as an assistant to a consultant undertaking assignments. Thereafter the newly trained consultant would be expected to be highly productive for two years, with anticipated performance declining in the third year of assignment work.

- "Thus the average life of a consultant is about three years. My requirement is for immediate productivity and survival after being thrown-in at the deep-end. We cannot absorb training costs like the big firms of management consultants."

The company considers that many firms operating in the motor trade have a variety of management problems - usually concerned with effecting management control - because it is not uncommon for firms

* The founder also stated that overhead recovery was the main reason for large management consultancy firms not providing services to the small firm sector at fees which clients could really afford to pay.

to consist of six or seven different businesses. Typically the parts constituting the whole are the marketing of new and second-hand vehicles, spare parts, accessories, petrol; the technical operation of servicing, repairing and car body repair; and also, there may be a contract-hire business and a hire-purchase scheme. If several of these different activities are carried on inside one firm there are usually, according to the experience gained by the company's consultants, extensive problems existing in the marketing and management accounting areas.

Regarding persuading firms in need of outside help to accept advice the founder made the following comment:

- "Many managers in small firms tend to reject or ignore a great deal of valuable advice."

Further, they consider that their own small firms have unique characteristics and problems, that the consultant offering advice does not understand the problems of directing and managing a small firm, and that the advice is only applicable to medium-sized and large firms.

Exposing weaknesses in client firms needed a 'soft-sell', especially when a managing director was presented with an objective and critical assessment of current operations.

The company acquired new business from its reputation in the motor trades and from recommendations given by past

clients, PIU members and subscribers, and by exploiting contacts made with executives and managers from firms in the industry attending training courses, seminars and conferences. Management courses and other associated activities were promoted by the MAA through its Membership Activities Department. As the company was the approved consultant to the MAA management consultancy and advisory services were also promoted by the Membership Activities Department. In addition to the press coverage obtained through the MAA, the company used its own press agency to notify the market about services available, new services offered, training courses, seminars and conferences to be held in the future, and details of new research reports and other publications available. Therefore, the company received extensive coverage in the trade press, and from time to time coverage at both regional and national level. Lastly new services and activities were also promoted through the PIU.*

The characteristics of the company's clients were described by the founder as "the more progressive firm, the more intelligent businessman and the more professional director". Moreover, it was apparent that "the same faces tended to reappear at management training courses". The very early decision to specialise in the motor trade had a positive influence on the growth and development of the company. However, the difficulty of recruiting and retaining consultancy staff capable of servicing the requirements of smaller firms proved to be a constraint. Specialisation enabled the company

* The company was also listed in trade directories, etc., sent representatives to the Motor Show, notified Small Firms Information Centres about the services available. At one time direct mailing had been used unsuccessfully to promote training courses.

to operate without facing any direct competition, although competition appeared from time to time in the field of marketing management training courses, but here, and in the words of the founder, "competitors seemed to come and go".

The usual reasons why the company's clients stopped using the available services were the incidence of trouble-free operations, the implementation of management consultancy recommendations and advice, the development of a capability to solve management problems on an internal basis, and the internal provision of management services. The following general comment was also made:

- "In general progressive small firms face few difficulties in identifying and selecting an outside organisation from which services are required. The main problem is concerned with getting through to small firms which have a real need for outside help."

On many occasions the founder has stated that the production of monthly management accounting information is crucial both to the survival and successful growth of a small firm. In cases where the owners of small firms in the trade say that the cost of a book-keeper cannot be afforded - the administration is usually done by the owner or his wife in the evenings or at week-ends - the founder has argued along the following lines:

- "I have proved that they would be better off paying wages out to a book-keeper to ensure that the records are kept accurately. In the case of more than one small firm it has been possible to increase profits fourfold by the simple expedient of accurate book-keeping."

(July 1974)

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C H A P T E R 5
CASE REPORTS ON USERS

5.1 CASE REPORT U/1

ORGANISATION

The subject of this case report is a private limited company operating in the retail motor trade. The firm is located in the Midlands and was established by the managing director early in 1961 when he was 24 years old. Prior to that the managing director had gained relevant trade experience as a result of working for Lucas and thereafter managing some of the motor rallying interests of the Dunlop Company. The reasons for setting-up the firm were to achieve the independence surrounding the ownership and management of a garage business, to apply knowledge of mechanical engineering and to build on the experience previously gained in the trade, and to provide the mechanical engineering and servicing facilities needed in the pursuit of an outside interest in motor car rallying.

The initial activities of the firm included a British Motor Corporation retail dealership for Morris cars, selling good quality second-hand cars, servicing and repairs and forecourt sales. The number of employees was ten, consisting of the managing director, sales manager, service manager, car salesman, four mechanics, a forecourt attendant and a clerk. The sales turnover for the first eight months was £26,000 and the sales turnover for 1962 was £117,000. Apart from a few shares held by the former sales director, the very great majority were held by the managing director and his wife.

The current activities (September 1974) consisted of a Citroën dealership, repairs, servicing and lubrication for Citroën cars, supplying spare parts for Citroën cars, re-selling better quality trade-in cars and a limited forecourt operation which was used mainly by the firm. The British Leyland Motor Corporation dealership

for Morris cars was relinquished in 1971 and according to the managing director the change occurred because of a general dissatisfaction with BLMC marketing policies. The Citroën dealership was acquired because it was considered that their range of cars was better designed, engineered and constructed, especially the engines. In addition to the dealership the firm became a distributor of Citroën spare parts with a stockholding of approximately 4,000 individual items. The firm's forecourt activities declined because of nearby competition and re-routing of traffic. In 1973 the firm's throughput of new Citroën cars was 284 units: this figure compared very favourably with the U.K. national average for Citroën dealers which was 122 units. Details of the firm's sales turnover and numbers employed over the period reviewed - the previous three years - will be found in Table 5.1, below.

TABLE 5.1: Details of Sales Turnover and Numbers Employed
1970-1973, Case Report U/1.

Financial year ending:	Sales turnover: £000s	Numbers employed
31st March, 1970	285	16
31st March, 1971	321	16
31st March, 1972	367	16
30th September, 1973	513	16

The firm had a traditional organisation structure and in addition to the managing director employed a sales director (controlling the activities of one Salesman), service manager (controlling four mechanics and three apprentices), stores manager (controlling a parts-man), two administrative staff and two part-time maintenance staff. Therefore the firm employed sixteen staff in 1974 but shortly before the field visit (September 1974) the sales director left the firm and was not to be replaced.

OUTSIDE SERVICES USED

Outside services had been obtained from the following types of organisation:

- management consultants - survey report only
- computer bureau - monthly management accounts
- provider OSF/2 - a number were obtained from this source
- practising accountants - management accounting
- solicitor - general legal services
- RPITB - statutory training services only
- clearing bank - general advice from a bank manager

Concerning the firm of management consultants the managing director made the following comment:

- "True to their reputation the approach was very slick and high-powered. Although the outline proposals were extremely good their selling technique made it obvious that they were keenly interested in getting twelve hundred pounds in consulting fees. At one time I spoke over the telephone to one of their senior consultants in London - he was an American - and it came over clearly that he knew the garage

trade inside out. Anyway, I managed to get what I wanted from them without having to pay a fee: I took the consultants out to dinner and from what I learned, together with the outline proposals, it was possible to put into practice what they had been talking about."

Monthly management accounts were prepared with the aid of a computer bureau offering services based on the management accounting system developed by OSF/2. The firm was one of the first to use this service and it cost about £40 per month.

The bulk of the outside services had been obtained from OSF/2, and these are described below.

Recalling the early history of the firm, the managing director remarked that even though very limited management accounting information was produced it was apparent where losses were being made. As a result he devoted all his attention to developing the business, and by curtailing the motor car rallying activities small profits were eventually made. In 1967 a management training course run by OSF/2 was attended.* After being impressed with the problem-solving approach displayed by the consultants, it was decided to obtain consultancy services in relation to the installation of a management accounting system. Since then the firm has maintained a fairly close contact with OSF/2, e.g., the managing director has attended many training courses and seminars.

Management consultancy services were also used in connection with the firm's change over from a Morris to a Citroën dealership. With the BMC dealership the firm received a good delivery service for spare parts as the supply centre was fairly near. However, the acquisition of the Citroën dealership entailed setting up a spares department. Accordingly, advice was needed on the adoption and operation of a suitable stock control system.

*The firm was not a member of the Motor Agents' Association.

The firm also joined the Profit Improvement Unit (PIU), paying an annual subscription of about £300. Some success was claimed with implementing ideas and suggestions emanating from the PIU. For instance, a scheme was introduced in 1974 to improve car servicing and fault rectification on new cars.

BENEFITS OBTAINED

The main benefits obtained from using outside services were firstly a strengthening in the financial management and administration area - related chiefly to the installation of management accounting and stock control systems - and secondly receiving information and general advice considered helpful in running the business.

The managing director made some general comments on the benefits received and these are set out below:

- "I am sitting here talking to you now because in the past I have received some very good advice. Also I am fairly certain that if this advice had not been received the firm would have gone bankrupt years ago. On the other hand if all the suggestions received had been put into practice, then again I would not be sitting here - I would be abroad on a long winter holiday."
- "Although the consultancy services did not influence the final decision to change franchises, what they did do was to make the planning procedures more effective. The change of franchise entailed considerable expenditure and the professional advice received encouraged me to assess the situation accurately, as it was one thing to make a profit, but another to ensure that the profit was sufficient to earn

an adequate return on the capital employed. There is no question of the consultants doing the work for you because it is up to you to apply their advice and solve your own particular problems. The cost of consultancy services is an investment rather than an expense, and if I do not get full value from it then it is my own fault."

- "By subscribing to a consultancy service we have something to set the pace and get us going and it stops us from being smug and complacent."
- "He (the founder of OSF/2) is available when it is necessary to talk to someone about management problems."

INFLUENCE OF OUTSIDE SERVICES ON GROWTH

The outside services which had been obtained from OSF/2 were thought by the managing director to have influenced the growth and development of his business. However it was claimed that growth had been limited by his own aspirations:

- "I have never intended to develop the firm into a bigger business and the present size reflects the limit of my aspirations for growth. I do not want to borrow large sums of money and burden myself with the additional problems associated with increased size."

Therefore there was a possibility that he would sell the business in about two years and then buy a suitable farm. It was thought that contact would be maintained with the motor trade by subsequently undertaking consultancy assignments in small firms.

GENERAL

The firm's future requirements for outside services were therefore expected to be influenced by the possibility of the managing director selling the firm, and also by the fact that he regarded the firm now as more self-sufficient and capable of analysing and solving the majority of its problems. Therefore, it was expected that fewer advisory services would be needed from OSF/2. The firm intended to stop using the computer bureau to produce its monthly management accounts, as a self-employed accountant was devising a similar system to be operated on a manual basis.

No problems had been encountered as a result of using the outside services provided by OSF/2 but some comments were made about other outside services. Firstly very limited marketing advice had been given by the oil company, and secondly professional firms of accountants were in his opinion too limited in their approach to the giving of advice, and too involved with the refinements of their profession.

Finally, the managing director stated that in his opinion small firms in general should make better use of the range of outside services currently available. Better use would lead to more effective management and to a greater contribution nationally, irrespective of the presently existing disincentives for small businessmen to expand their activities.

(September, 1974.)

* * *

ORGANISATION

The origins of this private limited company operating in the retail motor trade go back to the 1920s when its buildings first accommodated a garage business. Little was known about the early history of the firm but it was conjectured that at one time there was a one-man garage business operating from the site, that some of the existing buildings were erected to accommodate a garage business, that the location was selected because of its close proximity to a railway station, and that people living in the surrounding districts motored to and left their cars at the station before commuting into town. However, it was known that in 1964 the firm held a dealership for Rover cars, sold a few second-hand cars, undertook servicing and repairs and ran forecourt services. Also the ownership of the firm changed hands in that year.

The firm - which is located in Surrey - was purchased by the existing owners in 1970: the owners have business interests elsewhere in motor car rallying and racing and in chemical milling and graphic services. The respondent, one of five directors, held the position of financial director: he was also the financial director of the other two firms controlled by the owners. Before joining the firm in 1972 the financial director had worked for the firm's auditors - a medium-sized practice - where he had been a clerk for six years. After qualifying as a chartered accountant he gained a further two years experience with the same accounting firm. He was in his early thirties and he was a motor car enthusiast. On joining the firm in April 1972 he was appointed general manager with responsibility for the day to day running, financial and business side of operations.

He was also given the task of completing the installation of the management accounting system.

Once this had been accomplished he became the financial director and thereafter spent just one day a week at the firm. He was originally recruited by the owners to strengthen the administration of the firm: they considered that the firm needed another manager to complement existing strengths in sales and technical operations.

The present day activities of the firm were geared to providing services to commuters, i.e, their cars would be left in the morning and collected in the evening after being serviced. Primarily the firm was interested in selling new cars and franchises were held for Rover, Triumph, Land-Rover and Austin-Morris. It was claimed that fewer used-cars were sold than was normal for a garage of an equivalent size. Other trading activities included wholesaling parts to the trade, retailing parts, servicing and repairs*, car-hire, and forecourt operations including the sale of tyres, batteries and accessories (TBA). The selling of spare parts commenced in 1964 and at the time of the field visit (September 1974) turnover was in the region of £150,000 p.a. from a stockholding of about £30,000. The firm held a Rover franchise solely until 1971 but as it was very difficult to obtain a sufficient number of cars from British Leyland the cheaper end of the market was entered. Also the firm was aware that Rover tended to establish numerous small dealerships: for example, there were three to four Rover dealers within five to six miles of the firm's location. Competition took the form of nearby garages holding franchises for BMW, Volvo and Daf. In the case of competition from

* The firm sub-contracted all bodywork repairs and auto-electrical work.

the BMW dealer the firm claimed that it had suffered quite a lot because BMW cars were in far better supply than Rovers. Although the forecourt was located a few yards away from the main road it was clearly visible from the railway station. Petrol sales (no trading stamps were given) were stated to be buoyant. It was thought that the first class service given by the forecourt staff strongly influenced the high sales obtained.

The sales turnover recorded by the firm under the present owners is included in Table 5.2, below.

Table 5.2 : Sales Turnover 1971-1973, Case Report U/2

Financial year ending:	Sales turnover: £000s
* 30th September, 1971	403
30th September, 1972	711
30th September, 1973	808

* An eight-month period.

The departmental sales turnover is set out below.

Table 5.3 : Departmental Sales Turnover 1971-1973,
Case Report U/2

Financial year ending 30th September:	Department A: PARTS £000s	Department B: SERVICE £000s	Department C: FORECOURT £000s	Department D: VEHICLES £000s
* 1971	68	35	30	270
1972	120	59	55	477
1973	139	61	51	557

* An eight-month period.

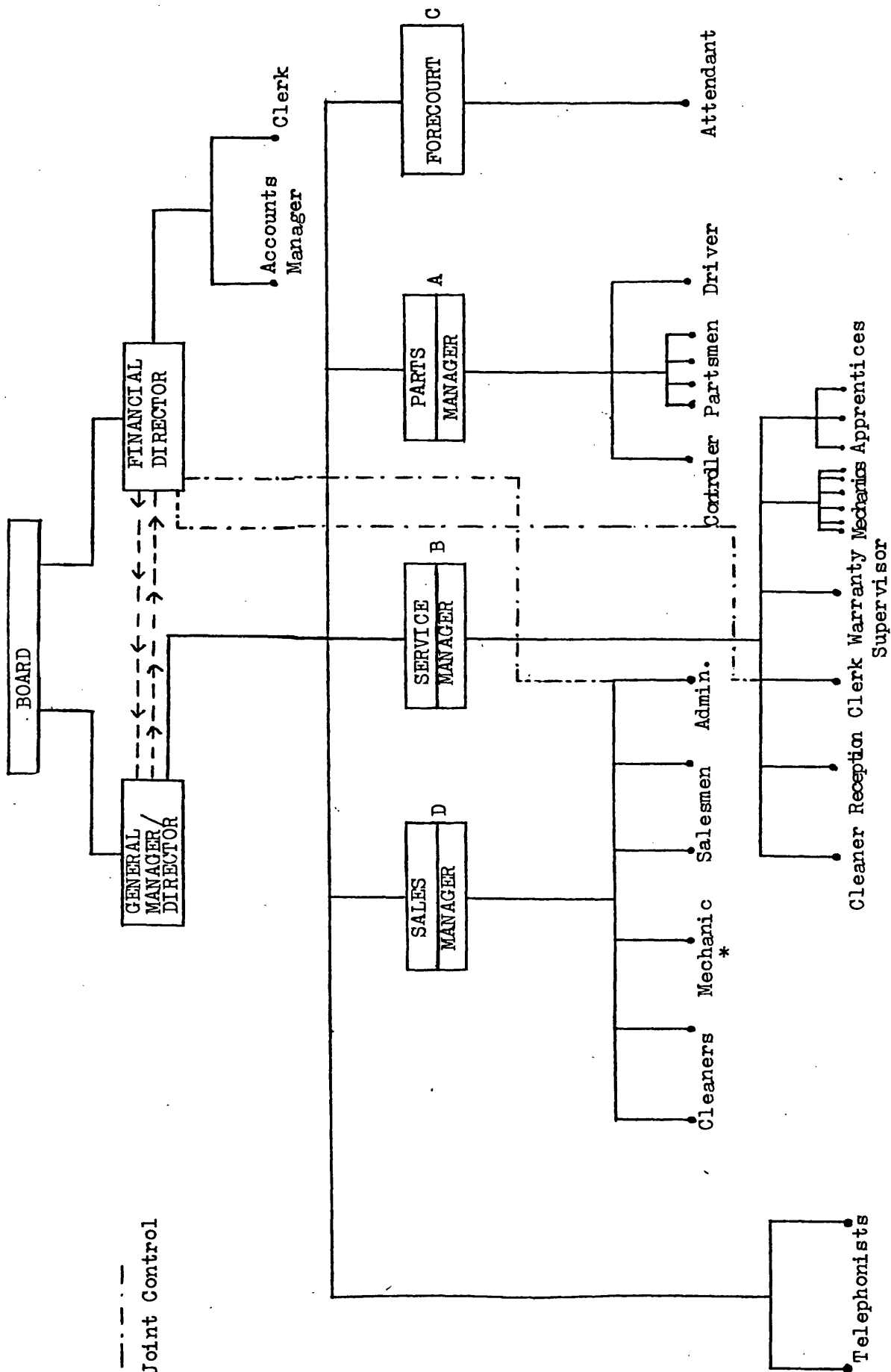
The sales turnover for vehicles in a typical quarter in 1974 was £116,000, consisting of £86,000 for new vehicles and £30,000 for used vehicles. Accordingly used vehicle sales tended to vary between one-quarter and one-third of the total vehicle sales. The average throughput quarterly of new vehicles in 1973 was approximately 130. The current throughput was between 550-600 new vehicles per annum, consisting of Rover : 50+; Triumph : 100+; Austin : 100+; Morris : 200+; Land-Rover : 20+. Therefore the firm's throughput of new vehicles compared very favourably with the national averages for British Leyland franchises.

The firm's organisation structure is depicted in Illustration 5.1, overleaf. During the period 1971-3 the firm employed an average of thirty-five persons but prior to the field visit three employees left and they were not going to be replaced because of the prevailing economic climate. As a result of the firm being located in a very expensive residential area it had in the past faced difficulties recruiting staff.

OUTSIDE SERVICES USED

Although services from other management consultancy firms had not been obtained, the following comment was still made:

Illustration 5.1 : Organisation Structure,
Case Report U/2.



continued

Notes:

1. One mechanic worked solely for the sales manager on conditioning and rectifying post-delivery faults on new and used vehicles. The mechanic was transferred from the service department because previously the sales manager faced difficulties in obtaining the necessary manpower from the service manger. The suggestion to effect this move came from OSF/2.
2. Conforming with the management accounting system recommended by OSF/2, the firm operated each department - parts, service, forecourt, vehicles - as an independent profit centre with a separate bank account and departmental records. Accordingly, the firm consisted of four separate businesses.

- "We get other consultants coming round from time to time but I have no time at all for them. They are far too interested in selling services to obtain fees. The bad image which they have is justly deserved."

The financial director stressed that the firm's auditors performed the normal statutory function and produced half-yearly financial accounts, but these were just for the record. He added that the firm would never dream of asking the auditors for services outside the auditing sphere, that the consultancy arm of a large accounting firm would never be approached for assistance on the solving of management problems, that the average professional accounting firm was not qualified to give advice on the financial aspects of general management, and that the information produced by auditors is unhelpful, has little bearing on the management of a business and is often produced too late.

On the subject of advisory services available from British Leyland the following comments were made:

- "They give no help on management matters, especially in the marketing area. We were asked to paint the exterior of the premises in their livery but there was no follow-up to see if the work had been done."
- "They put no pressure on us about the number of new cars which must be sold."
- "They sometimes force the introduction of new schemes, for instance Leycare, and they usually end up by upsetting everyone."
- "The British Leyland representative is not effective, he gives few answers to our queries and certainly he is unable to get new cars for us."

- "British Leyland are an amorphous organisation in a sorry state and they are very bad on administration. For example we have a big pile of long outstanding claim forms for warranty work done. They ignore you if you are not deliberately rude to them."
- "They are pre-possessed with badge engineering."

The firm was a member of the Road Transport Industry Training Board Surrey Training Scheme. In the scheme were thirty garages and a full-time training officer. The firm claimed to be one of the fifteen active participants. Accordingly there was an involvement in a local business improvement training group (also supported by fifteen firms) that met periodically to discuss various management topics. The topics covered were thought to be interesting and beneficial as the scheme was designed for small firms, placed an emphasis on in-company follow-ups to instruction sessions, and gave participants an insight into some operations carried on inside other small firms. The group met for one day each month over a six month period to receive instruction and have discussions on topics such as financial appreciation, operational appraisal and organisational analysis, departmental accounts and costing, utilisation of resources, layout /scheduling/ control, stock control, credit control, debt collection and general financial matters, skills of management, manpower agreements and job descriptions. After a meeting the training officer visited each firm to advise and assist with any implementation of the techniques discussed.

Another outside service used by the firm was an after-sales service called 'car sales follow-up' offered by an organisation based in Troon, Ayr. The service was recommended by the PIU and

cost £1.45 per customer for services given over a two-year period.

Briefly, the service took the form of the customer being sent a card one week after accepting delivery of the car thanking him or her for the custom. Two weeks later a letter - with an s.a.e. - was sent to enquire if the car was satisfactory. Further correspondence was sent periodically over the two-year period, primarily to encourage the customer to return to the same garage when the purchase of a new car was being considered.

- "Follow-up services are valuable because they show us where we are doing well and where we are falling short. Encouragingly ninety per cent. of the replies are complimentary about salesmen, but conditioning and servicing present many problems."

The other outside services used by the firm consisted of the receipt of trade information from the MAA, advice had been received from the Customs and Excise on VAT administration, an employment bureau had been used to recruit both technical and administrative staff, a computer bureau was used twice a year for calculating the value of stocks, a design studio was used for any graphical work, a solicitor provided any necessary legal services, and apprentices were sent to a nearby college as part of their training.

In 1970 when the firm was under the previous ownership its management came into contact with the founder of OSF/2 while attending a management training course. As a result of being impressed by the advice given to solve management accounting problems, it was decided that the recommended management accounting system would be installed in the firm. The introduction of the system coincided with the sale of the firm, but the new owners persevered with the

introduction because they considered that equivalent services could not be obtained from any other organisation. Therefore the consultants visited the firm and after examining the situation certain proposals were made. However, considerable aggravation was caused by the implementation as existing accounting and administration procedures had remained basically unchanged for many years:

- "That's the biggest problem you get - persuading people that the new way is worth trying. Tell them that they are doing it wrong and you lose their co-operation.

Like everyone else we have some over-sensitive people."

The salient features of the system were the establishment of separate profit centres within the firm, namely sales, service, parts, forecourt; the production of profit and loss accounts for each department every month; and the preparation of annual budgets for each department - these were prepared by departmental managers.

The firm started subscribing to the Profit Improvement Unit in 1971 and paid a subscription of more than £600 in the first year, mainly because the consultants visited the firm six times in connection with the installation of the management accounting system. At the time of the field visit the annual subscription was about £300. The working directors and departmental managers have from time to time attended management training courses run by OSF/2. Lastly, the financial director had received some executive counselling from the founder of OSF/2, especially concerning the general management problems faced early on in his appointment.*

* Similar advice had been received on matters connected with the interests in chemical milling and graphic services.

BENEFITS OBTAINED

Overall these can be summarised by reproducing a comment made by the financial director regarding the services obtained from OSF/2:

- "There are so many ingredients to success that I find it impossible to quantify the benefits received from the consultants. We are certainly making more money now than we were before. Improvements were clear within a few months of the start of the new systems. Today and well over three years later we have the great advantage of possessing yardsticks so that we can compare one year with another, month by month. This enables us to set targets."

The other benefits mentioned were as follows:

1. The accounting system facilitated the calculation of departmental profits or losses three to five days after the end of each monthly accounting period. Before the introduction of the system monthly figures were not produced.

- "Today figures are produced without strain or drama.

The managers appreciate having these figures early enough to enable them to take any corrective action. It also enables us to assess the performance of each manager and they seem to value this. Some managers tend to look back on the bad old days and say: 'We were so much happier then.' But it is so very easy to be happy and go bust. Management accounts enable you to assess individuals, not only from the figures, but also from the man's reaction to them."

2. The firm was in a more healthy financial position and although growth had not taken the form of a substantial increase in turnover,

the effectiveness of management in pursuing predetermined goals had improved the salability of the business:

- "Every month we know the figure for return-on-investment and action is taken to improve it. The current return is about fifteen per cent., but bearing in mind the value of the building - in excess of £200,000 - we could probably make more money by investing elsewhere. The building is the main consideration in this business and as soon as we can find a buyer we will move out."

3. The management control systems have not impinged adversely on operatives, though some problems were faced regarding the recording of productive and unproductive time:

- "The problem is getting the operatives to do it. They are quite happy to repair cars, but they do not want to sit around writing on bits of paper, especially recording idle time."

4. The firm introduced a new management profit-sharing scheme. Before, a bonus was awarded to the employees of each department based on the performance of their own department. This was changed so that half the bonus originated from the success of an employee's own department and the other half on the success of the business as a whole. This scheme successfully tackled the problem of inter-departmental conflict by engendering co-operation between the different departments. Moreover, better relations with customers were developed because of the disappearance of the attitude: 'That's nothing to do with us'.

INFLUENCE OF OUTSIDE SERVICES ON GROWTH

Although sales turnover had not increased substantially in the period reviewed, the provision of accurate management information had helped the directors and managers to improve the profitability of the firm. The performance of the firm in terms of new vehicle throughput and return on investment compared favourably with other firms in the trade.*

GENERAL

Regarding the firm's future needs for outside services, the financial director indicated his intention to computerize the

* For instance, when OSF/2 became the approved consultant to MAA in 1967, its founder said:

"According to the MAA motor traders on average achieved a net profit before tax on turnover of $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent, and since capital was usually turned over only four or five times a year, this recorded an average return on investment of between 7 to 10 per cent with this representing a poor return for a trade with a high element of risk. In contrast, some of our progressive clients currently earn a return on investment of more than 20 per cent."

management accounting procedures, chiefly because of the present difficulty of recruiting competent book-keeping staff, and because of the possibility of this situation worsening in the future. It was also thought that outside advice would be required in the marketing field in an attempt to move away from the parochial advertising policies which were traditional in the motor trade. However, it was stated that an organisation capable of offering such advice did not exist.* Regarding the outside services to be obtained in the future from OSF/2, the financial director specified that the existing trend of using less would continue as the accounting systems were fully operational. Also, the annual subscription payable to the PIU would be reduced to about £115.

The firm had experienced very few problems connected with the services provided by OSF/2, apart from those arising during the installation of the management accounting system. The financial director did state, though, that he thought the PIU was then generating too much information and was in danger of defeating one of its objectives, i.e., the supply of summary trade information. Finally, the view was expressed that small firms in general should make better use of any available outside services, and in particular the following comment was made about the motor trade:

- "If a garage is bigger than the three mechanics plus the owner variety, then I would say that they would gain a great deal from the employment of management consultants. Our trade is behind a lot of others because its nature encourages men who have been mechanics to set-up on their own, without always having

* It was suggested that if such advice did become available, then it was possible that the provider may eventually put his own ideas into practice.

the right amount of business know-how. I think that a big help to the small garage would be the accounts forms designed by OSF/2. They are very easy to use and would be of considerable assistance to the garage unable to afford the employment of a full-time accountant."

(September, 1974.)

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5.3 CASE REPORT U/3

ORGANISATION

In 1876 an enterprise was established in Essex to manufacture wooden bicycles. After the introduction of the motor car interests were developed in automobile engineering, repairing and servicing. In 1910 the firm that is the subject of this case report was founded in close proximity to the original establishment, and the father of the present managing director took over the firm during the First World War. At that time the firm concentrated on motor car repairs and servicing.

The firm is now a private limited company and the only shareholders are the managing director, his wife and son. The respondent was the managing director, aged 60 years, and he was a qualified automobile engineer. Prior to the outbreak of the Second World War he had gained practical workshop experience in the trade, had sold new cars at the retail and wholesale level, and also he had been the sales manager of a garage business located in East London. During the war he served with the Royal Electrical and Mechanical Engineers and he left the army in 1945 as a lieutenant-colonel to join the family business. When his father died in 1958 he succeeded to the position of managing director.

At the time of the fieldwork (November 1974) the firm held franchises for both BMW and Fiat cars, and in addition to selling new and used vehicles it sold spare parts (retail and wholesale), undertook repairs and servicing, and operated a forecourt. The BMW and Fiat franchises were obtained in 1971 as a result of reorganisation. Before this the firm had held Austin and MG franchises for forty years. Prior to the reorganisation the firm employed thirty-two persons (including three working directors), after

twenty-seven persons were employed and in November 1974 the payroll had been further reduced to twenty-five persons. The firm was organised along lines which were traditional in the trade: vehicle sales were controlled by a sales director, while the other activities - service, parts, forecourt - were departmentalised, with each department being headed by a manager. Full details of the sales turnover recorded over the previous three years were not divulged, but it was stated that for the financial year 1973-4 turnover was approximately £600,000. The town in which the firm was located had a population of about 14,000 persons, and competition took the form of garages holding franchises for Ford, Vauxhall, British Leyland (Austin-Morris, M.G., Wolsey), Chrysler, Mazda, and from four garages without franchises.

OUTSIDE SERVICES USED

Apart from auditing and legal services the firm had used the following outside services over the previous three years:

1. Personnel from the sales, parts, workshop and accounts departments were sent to nearby educational establishments to attend various courses in connection with the new systems and procedures to be adopted when operating the new franchises.
2. Stocking loans for vehicles and spare parts were obtained from the finance subsidiary of the firm's bank.
3. As a result of the firm's membership of the Motor Agents' Association relevant trade information had been received, and a number of management training courses and seminars run by the same body had been attended by the directors and departmental managers.
4. A computer bureau was used to calculate the value of stocks held for auditing purposes.
5. Since 1971 a number of services were obtained from provider OSF/2 and these will now be covered in more detail.

The managing director stated that in April 1971 he considered that the business was not being managed efficiently and that the return of investment earned was too low. Previously he had heard the founder of OSF/2 lecture on various management topics and it was thought that the services offered by OSF/2 could be used to help the firm with the solving of its problems. In order to find out if OSF/2 had positively assisted other garages in the past, the managing director contacted a divisional secretary of the MAA and thereafter the consultants were approached. In response the latter divulged the names of two clients which were located in different parts of England. After visiting the clients the managing director was sufficiently impressed by the benefits received from the employment of the consultants that a decision was made to proceed further.

Subsequently a consultant visited the firm on a typical day selected by the directors and the recommendations contained in the report ensuing were as follows:

- a. That the firm should consider replacing existing franchises with franchises for both BMW and Fiat cars.
- b. In accordance with this decision being taken it would be necessary to establish a separate spare parts department and to install a suitable stock control system.
- c. The introduction of a monthly-based management accounting system and the establishment of individual profit centres for each department.
- d. The adoption of improved technical layouts and the use of more effective and efficient workshop equipment to increase workshop productivity.

The managing director said that he reacted to these proposals in the following way:

- "I was completely shattered by the report's assessments of various aspects of the company's operations. Among the facts it gave were national averages of performances for the different departments. Even though the report was unpleasant for us we decided to implement its recommendations and proceed to reorganise the business completely."

Before the reorganisation the staff were informed about the planned changes and by November, 1971 the changes had been made, including the installation of the management accounting system.

The firm commenced subscribing to the Profit Improvement Unit in 1971 and the annual cost of this in 1974 was approximately £1,600. Over the period April 1971 to November 1974 the firm received a one-day visit from a consultant every month.

BENEFITS OBTAINED

At the beginning of 1972 the directors were in a position to take corrective action in the areas where the management accounting information indicated. This information was produced within ten days of the end of the monthly accounting period.

- "Since then we have gradually gone on making alterations according to what the accounts have thrown up and the transformation of the whole organisation is quite unbelievable. We have turned a mediocre profit into something which is very realistic and shows a very satisfactory return on the capital employed."

The managing director outlined the other benefits which had resulted from using services provided by OSF/2. These are as follows:

1. Management accounts comparing actual figures against those budgeted were first produced in January 1972. Accordingly the four departments were managed against profit targets calculated to yield a satisfactory return on the capital employed. By the end of July 1972 these targets had been exceeded in all departments except the workshop, although the latter was only slightly below target mainly through illness and staff attending external courses. However, the performance of the workshop was in excess of that achieved when three more personnel (two mechanics and one apprentice) were employed, i.e., before the reorganisation. It was considered that these results were strongly influenced by the fact that both departmental management and operatives had been given targets to aim for.

2. The twelve-month period following the reorganisation saw, it was claimed, a substantial increase in sales turnover and an increase in net profit. Both were due to a more professional approach to the management and control of the firm, and also to an increase in operating efficiency.

3. An effective team spirit evolved within the firm and with this transformation there was a raising of the aspirations possessed by the management team from the low level of wondering whether or not it was worth carrying on, to the progressive level of preparing a five-year programme for expansion. The latter consisted of modernising existing premises - which were by no means old as the car showroom and forecourt were developed in 1957, and the workshops afterwards - and installing additional equipment in order to raise output.

INFLUENCE OF OUTSIDE SERVICES ON GROWTH

Although figures relating to the whole of the previous three-year period were not given, the managing director claimed that the use of outside services had had a positive influence on the growth of his firm as sales turnover had increased substantially over the period.

Net profit and the return on investment had also increased.

GENERAL

It was claimed that few problems had arisen in connection with acquiring outside services from OSF/2. However, some difficulties were faced when the firm was under-manned because of staff attending external training courses. Also a workshop incentive scheme introduced proved to be unsuccessful and was dropped because of the difficulty in establishing standard times for doing certain types of servicing and repair work, namely on agricultural and building contractors vehicles.

The managing director thought that fewer services would be needed from OSF/2 in the near future as the monthly visit of the consultant was no longer required because the management control systems were fully operational. Therefore the annual subscription to the PIU would be reduced. However, the long-term plans for expansion would see a fairly close contact maintained with OSF/2, and consultancy services would be used if the need arose.

Finally, it was considered that small firms in general should make better use of any available outside services. In reference to small firms in the trade the managing director commented:

- "If one is to survive in the future any managing director of a garage holding a franchise must know his objectives and convey them to his team. He must have proper monthly management accounts and he must act immediately on the results. This is what I have done and I intend to see that we become more professional and efficient as time passes."

(November 1974)

* * * * *

SUMMARY OF RESULTS AND CONCLUSIONS - PROVIDERS AND USERS

From the study of PROVIDERS and USERS it is clear that the most important reason for the three User firms obtaining services from Provider OSF/2 was the need to install a system of management accounting to monitor business operations. This reflects a fairly common weakness of small firms in this management area, and this has been pointed out previously by other researchers, e.g., Hebden & Robinson mentioned that a lack of knowledge of standard accounting procedures and practices was particularly pronounced in small firms operating in the motor trades.⁽¹⁾ However, it will be noted that all three user firms had reached the size - the firms were in the size range 15 to 35 employees - where it becomes necessary to formalise management procedures, especially in the financial management and administration area. As none of the firms had the expertise required to accomplish this task, it was therefore necessary to acquire it from an outside source. Further, it was seen that the managing directors of firms U/1 and U/3 were well qualified and experienced in both the technical and sales functions, while the general manager of U/2, although he was a chartered accountant, needed some specialised services in the management accounting sphere.

The particular situation facing each user was, however, different at the time services were first obtained from OSF/2. In the case of U/1 the firm had recently emerged from a loss-making position, and also the firm's founder and managing director sought advice in connection with a change of sales franchise, namely the need to install a stock control system for a newly established spare parts department. Firm U/2 wished to complete the installation of a management accounting system and its new owners felt that similar services could not be obtained elsewhere. The managing director of U/3 wished to increase the efficiency of the business and the return on investment, and accordingly an overall appraisal of the business was required, resulting in management and technical consultancy being obtained in the areas of a franchise change, the installation of management and stock control systems, devising workshop layouts and the selection of new equipment.

The three firms belonged to a subscription consultancy scheme which offered objective guidance on future trends in the industry, with particular reference to the operations of individual firms; gave firms access to specialist advisors capable of applying their knowledge to problems of the industry in a practical fashion, e.g., on general management, marketing, finance, personnel, operations; and generated information to assist decision-taking, e.g., information sheets, abstracts, statistics and reports on various subjects related to the industry such as motor trade management and its environment.

In the case of all three users it was found that the main benefit resulting from their use of outside services was a strengthening in the financial management and administration area, i.e., the installation of formal systems of management accounting or stock control to improve management control by monitoring the activities of the business more closely and to improve decision making. Also, the firms had received information and general advice which was judged to be helpful in running the business. Two of the firms had obtained other benefits, namely U/1 and U/3. U/1 had moved into a profit making situation after the business had been successfully developed into a going concern. Further, the firm's managing director believed that an internal problem-solving capability had been developed as the firm was more self-sufficient and capable of analysing and solving the majority of its problems. U/3 claimed that the poor return on investment earned before its contact with OSF/2 had been transformed, and also workshop productivity had been increased as a direct result of the technical consultancy services provided by OSF/2.

Regarding their future requirements for outside services from OSF/2, all three users expected to use less, mainly because the management or technical consultancy services obtained had been instrumental in solving the management problems which existed in the past. However, the firms intended to continue with their

subscription to the consultancy service provided by OSF/2, so as to have access to outside specialist advisors and to receive various types of information relevant to their operations.

The three users claimed that the outside services obtained from OSF/2 had been a factor influencing growth, although the extent of this differed in each case. Over the period reviewed the performance of U/1 was thought to be static. However, the firm's founder and managing director indicated that the then present level of sales turnover represented the limit to the firm's growth under his personal management control, and that this limit would not have been reached without the aid of the outside services provided by OSF/2. Therefore, the use of these outside services over several years had had a positive influence on the development of this firm. Although U/2 had achieved some growth over the period reviewed, the main consideration of its present owners was that of improving profitability on the existing level of business, or on a slightly higher level. The influence which the use of outside services had had on growth was really limited to the successful introduction of a management accounting system, and the fact that the resulting provision of accurate management information had helped the directors and departmental managers to improve on previous levels of profitability. The managing director of U/3 claimed that the use of outside services had had a positive influence on the growth of his firm as sales turnover had increased substantially over the period reviewed, and also net profit and return on investment had been increased. However, full supporting figures were not given.

Turning to the two studies on Providers, in case report OSF/1 it was seen that the company was established to provide management consultancy to smaller firms in the form of the right

type of advice at the right price in areas such as marketing, finance (use of existing funds and the acquisition of new finance), administration, company development and planning. It was claimed that any kind of assignment would be accepted, with services being provided on either an individual assignment or continuous basis. The company was a co-operative of independent consultants working in local teams under a corporate banner, and its consultants were both professionally qualified and experienced smaller firm executives. The formation of the local teams enabled the company to provide a local service with lower operating costs, with the latter resulting in lower fees being charged to clients. Assignments would be tackled by an individual consultant receiving support whenever necessary from team colleagues and central office services, and the aims would be to provide a follow-up service of the required frequency and depth of involvement for implementing recommendations made to clients; to show results in the short term by covering fees with increased efficiency; to demonstrate to clients how to plan and strengthen areas of management without recourse to the employment of additional full-time managers; to locate the weak areas of management; and to give the client scope to commit his firm gradually as a proposal is executed.

OSF/1 also provided certain specialist management skills, for instance the services of a management accountant for the small firm that does not have sufficient work to justify making a full-time appointment in this area. In this way the management of a particular small firm will be strengthened as the necessary expertise would be provided on a continuing basis, with the client paying accordingly. Similarly, a consultant could perform the role of a non-executive director - without it being necessary to make a formal board appointment - by attending or even chairing monthly management meetings to discuss the progress made by a client against a corporate plan for expansion.

The company obtained clients through personal recommendations and from the consultants making contact with firms in their local areas. However, the marketing of services on a national basis proved to be difficult as management consultancy was oversold a few years back, and also because the management of smaller firms are often reluctant to talk to consultants unless the latter can demonstrate a practical understanding of the management problems which are faced. The existence of these attitudes was acknowledged by recruiting professionally qualified consultants possessing management experience in the smaller firm sector.

In case report OSF/2 it was seen that the company offered a comprehensive range of services to firms operating in the motor trades, and these included management consultancy in areas such as organisation structure, management development, training, recruitment, installation of management accounting systems to produce regular and easily interpreted management information, computerised accounting, technical operations, marketing, business planning and the acquisition of finance; running management training courses with the objective of increasing the effectiveness of management in smaller firms; operating a profit improvement unit to provide for the needs of progressive firms in the industry in areas such as information provision and access to a wide range of specialist skills; and offering information services to the industry in general.

The decision to specialise in the motor trades was made so that the company could offer a quick, effective and economic service. For instance, in the field of management consultancy, assignments could be completed comparatively quickly, because there was no need to start a survey from scratch as there was access to information which formed the framework for an investigation. After searching for a more profitable way of providing consultancy services, the company introduced a subscription consultancy service in the form of the profit improvement unit.

The company obtained new clients through its established reputation, recommendation from past clients, PIU members and subscribers, and by exploiting the contact made with directors, executives and managers attending the training courses. The company had gone a long way towards achieving a national promotion of its services without the need to establish a large marketing organisation, and this was because of the existence of very close ties with the MAA. However, there still remained the problem of making contact with small firms ignoring the advisory services promoted by the MAA at national and local level. The fact that the users of the company's services tended to be the more progressive firms indicated the extent of this problem.

Before introducing the second study - the Printing Industry Survey - some comments will be made upon the problems faced while undertaking the study on the providers and users. It was found that most of the providers approached refused to co-operate either on the grounds of maintaining operating secrecy, or because of an adherence to a code of professional conduct and practice. This, therefore, proved to be a major problem and it can be summed up by quoting from some correspondence received at the time :

- "Small firm consultancy is a competitive business and having developed my own modes of approach to the major problem of initial penetration of prospective clients, I am not, naturally, keen to divulge this, even in the cause of genuine research."

Similarly, in his study on associations and consultants, Hyman commented that in the consultancy assignment files maintained by firms of management consultants there must exist a rich source of

research data, which if made available would be beneficial to industry in general, as well as to the organisations and individuals undertaking research on management problems.⁽²⁾

The main lesson learned from the study on providers and users was that the research base was inadequate, being too narrow in respect of the concentration on the providers of management consultancy and advisory services. Therefore, the research base was widened to include the other types of organisation providing outside services of one kind or another. Also, the research approach was reconsidered in the light of the co-operation given by the three user firms, and accordingly it was decided to concentrate upon the user of outside services as opposed to the provider.

Finally, in the study on providers and users an attempt was made to determine whether a small firm can form 'organisational slack', i.e., surplus management resources, by using outside services. Apart from the difficulty surrounding the quantification of any such surplus, it was found that the three firms had used outside services because management resources were limited in certain areas. Therefore, the use of outside services related to the filling in of a void in management resources, thereby strengthening the management of a particular small firm.

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REFERENCES : CHAPTER 6

- (1) Hebden, J. & Robinson, R. V. F. (1971), op. cit., pp. 39-40.

Economic Development Committee for Motor Vehicle Distribution and Repair. Report on accounting systems and their effects upon profitability. London. HMSO. 1974.

- (2) Hyman, S. (1970), op. cit., pp. 7-87.

CHAPTER 7

BACKGROUND TO THE PRINTING INDUSTRY

STRUCTURE

In 1964, approximately 4,000 firms were members of the British Printing Industries Federation (BPIF).^{*} An analysis of this membership produced the size distribution that forms Part A. of Table 7.1 overleaf.⁽¹⁾ From the table it can be seen that 88.7 per cent. of the firms employed less than 100 persons, and that 97.3 per cent. employed less than 300 persons.

In 1968, the BPIF sent a labour force enquiry⁽²⁾ to 3,340 of its membership of nearly 4,000 firms. 2,531 of these firms responded, and the size distribution produced forms part B. of Table 7.1. From the table it is apparent that 82.6 per cent. of the response consisted of firms employing up to 99 persons, with these firms accounting for 27.6 per cent. of the labour force. Firms employing up to 249 persons represented 93.9 per cent. of the response, and in turn employed 52.3 per cent. of the labour force. Although the 1964 and 1968 statistics are not directly comparable, the fact that the latter were based on approximately 60 per cent. of the Federation's membership is sufficient reason to suggest that small and medium-sized firms had maintained a dominant position in terms of numbers.⁺ It was thought that the non-respondents were, in the main, very small firms. Also, it was estimated that 94 per cent. of the firms then in membership employed less than 200 persons and between them employed about 51 per cent. of the labour force. Outside of the Federation it was considered that there were roughly 2,000 firms in the industry, and again, it was

* Until it was renamed the British Printing Industries Federation in 1974, the Federation was known as the British Federation of Master Printers.

+ The BPIF defines a small firm in the printing industry as one employing up to 25 persons; a medium-sized firm employs between 25-250 persons; and a large firm employs more than 250 persons. According to the BPIF, many of the small firms in the printing industry are individually owned, or are family businesses.

Table 7.1 Size Distribution and Employment Trends in Print - BPIF Member Firms, 1964, 1968 and 1974 -

(A)		Size Distribution of BPIF Member Firms, 1964		
Size range of firm: employees		Percentage of member firms		
Under 25 employees		62.2		
25 - 49		16.2		
50 - 99		10.3		
100 - 299		8.6		
300 - 999		2.5		
1,000 and over		0.2		
		100.0		
<p>Note: The table relates to a membership of approximately 4,000 firms.</p> <p>Source: Economic Study of the printing industry. London. British Federation of Master Printers. May 1965. p.25.</p>				
(B)		Size Distribution of BPIF Member Firms, 1968		
Size range of Firm: employees	No. of firms	Percentage of respondents	No. of full-time employees	Percentage of labour force
0 - 9	693	27.4	3,267	1.8
10 - 24	679	26.8	10,908	6.0
25 - 49	412	16.3	14,373	7.9
50 - 99	306	12.1	21,682	11.9
100 - 249	285	11.3	45,094	24.7
250 - 499	104	4.1	36,395	19.9
500 - 999	34	1.3	22,861	12.5
1,000 - 1,999	15	0.6	19,033	10.4
Over 2,000	3	0.1	9,008	4.9
	2,531	100.0	182,621	100.0
<p>Note: The 1968 labour force enquiry was sent by the Federation to 3,340 of its membership of nearly 4,000 firms: 2,531 firms responded.</p> <p>Source: Evidence submitted in January 1970 by the British Federation of Master Printers to the Committee of Inquiry on Small Firms, p.1.</p>				
(C)		Employment in Print, 1974		
Size range of firm: employees	Percentage of respondents		Percentage of labour force	
0 - 9	26.7		1.9	
10 - 24	27.0		6.0	
25 - 49	16.6		7.9	
50 - 99	12.3		11.7	
100 - 249	11.1		23.8	
250 - 499	3.8		17.8	
500 - 999	1.9		16.6	
1,000 - 1,999	0.4		6.3	
2,000 +	0.2		8.0	
	100.0		100.0	
Source: Printing industry facts and figures, 1975. BPIF. p.21.				

thought that these were mostly very small. For the industry as a whole, it was estimated that firms with less than 200 employees made up about 96 per cent. of the population, and employed about 55 per cent. of the labour force. Because of the variation in output per head between large and small firms, the latter probably produced in the region of 46 per cent. of the industry's total output, and accounted for about 40 per cent. of the capital employed in the industry. Therefore, from these statistics it is apparent that firms with less than 200 employees made up the dominant part of the industry's population, and also that this sector itself was dominated by very small firms.

In November 1974, the Industrial Relations Department of the BPIF sent an inquiry to a sample of the membership - which was then approximately 3,700 firms - on the subject of employment trends.⁽³⁾ It was estimated that the response accounted for over 50 per cent. of the labour force employed in general printing and publishing. The size distribution produced from the inquiry forms part C. of Table 7.1. From the table it can be seen that 82.6 per cent. of the respondents employed up to 99 persons, representing 27.5 per cent. of the labour force; and that 93.7 per cent. employed up to 249 persons, representing 51.3 per cent. of the labour force. The inquiry also revealed certain information on the regional distribution of printing workers, with this being set out in Table 7.2, overleaf.

Table 7.2 : Regional distribution of printing workers employed by BPIF member firms in England and Wales, 1974

Alliance : Regional body of BPIF	Percentage of employment
London	15.6
North Eastern	2.5
North Western	0.3
Yorkshire	9.0
Lancashire and Cheshire	10.6
Midlands	17.2
East Anglia	8.4
South Western	11.9
Home Counties	22.9
Wales	1.6

Source: Printing industry facts and figures, 1975. BPIF, p.20.

Two facts which emerged from this inquiry have a bearing upon the undertaking of the Printing Industry Survey:

- (1) That small firms (up to 25 employees) and medium-sized firms (25-250 employees) were maintaining a dominant position in the printing industry in terms of numbers.
- (2) That the South Western region is one of the bigger centres of printing in Britain in terms of workers employed.

The printing industry has often been cited as an under-developed industry, largely because of its fragmentation. However, the BPIF considers that this degree of fragmentation might exist because it provides the most efficient structure within the present industrial environment. In this context, it is significant that the printing industries of other countries are similar in size structure to that

of the U.K., especially in the U.S.A. where the average size of establishment is even smaller than that of the U.K. Moreover, the Federation's inter-firm comparison scheme* has produced information which indicates that the smaller firms in the industry are more efficient in respect of the value added per £ of plant than are the larger ones. In turn, this reflects the difficulties presently faced by the larger printing establishments in connection with earning a satisfactory return on investment, as these firms tend to use modern and very expensive plant and machinery. When the 'value of plant per factory employee' and 'value added per £ of factory wages' are considered together, it becomes clear that the larger firms tend to get less value added per pound of factory wages paid than the smaller ones do, although the former appear to be more capital intensive. It therefore seems evident from this that their use of labour must be less efficient than that of the smaller firms; and that the larger firms seem to be in the unenviable position of being both labour and capital intensive.

ECONOMIC TRENDS

The percentage increase in sales recorded by the four sectors of the printing industry - General Printing and Publishing, Newspapers and Periodicals, Manufactured Stationery, Cartons - over the period 1970 - 74 are set out in Table 7.3, overleaf. In the calculation of the figures 1970 was used as the base year. The Printing Industry Survey was chiefly concerned with smaller firms, i.e., small printing firms and medium-sized firms, operating in two of the above sectors, namely:

- (a) General printing and publishing.
- (b) Newspapers and periodicals.

* The inter-firm comparison scheme gathers information from more than 300 firms, representing 5 per cent. of the firms in the industry, 7 per cent. of the BPIF membership and 25 per cent. of the industry's labour force.

Table 7.3 : Percentage increase in sales recorded by the four sectors of the printing and publishing industry between 1970 and 1974 in constant 1970 prices

Sector	Percentage increase
General printing and publishing	14.9
Newspapers and periodicals	8.7
Manufactured stationery	30.1
Cartons, etc.	20.6

Notes: (a) During this period the Gross Domestic Product increased by 10.7 per cent.

(b) Exports consistently exceeded imports by a wide margin. For instance in 1974 the favourable trade balance was £71.8 million.

Source: Printing industry facts and figures, 1975. BPIF. p.ii.

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Table 7.4, overleaf, contains more detailed information about the sales recorded by the four sectors over the same period. From the table it can be seen that the industry achieved a steady expansion in sales between 1970 and 1973. However, a levelling-off occurred in 1974 in all sectors apart from cartons. Although the figures do not include establishments employing less than 25 persons, i.e., small printing firms, there is an indication that the industry as a whole was fairly buoyant in terms of sales over the four-year period.

Table 7.4 : Sales of the Printing and Publishing Industry, 1970-74

Sector	Current prices : £ million				
	1970	1971	1972	1973	1974
General printing and publishing	577	677	753	829	1007
Newspapers and periodicals	682	740	848	993	1099
Manufactured stationery	146	182	206	248	317
Cartons, etc.	320	345	385	463	639
1970 prices : £ million					
General printing and publishing	577	623	644	665	663
Newspapers and periodicals	682	676	724	776	741
Manufactured stationery	146	164	174	194	190
Cartons, etc.	320	321	339	376	386

Notes: (a) The figures relate to sales of establishments employing 25 or more persons.

(b) It was estimated by the BPIF that the above statistics cover sales of establishments employing approximately 80 per cent. of the labour force in general printing and publishing, and about 95 per cent. of employment in other sectors.

(c) The index of retail prices was used to calculate sales of newspapers and periodicals at 1970 prices. In other cases the indices of output prices of the relevant sectors were used.

Source: Printing industry facts and figures, 1975. BPIF. pp.1-2.

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Details of printing costs and prices which relate to the period 1968 to 1975 have been included in Table 7.5, overleaf. These statistics have been presented because the growth of the firms responding to the Printing Industry Survey questionnaire

was to be measured in terms of an increase in sales turnover over a three-year period prior to the date of the questionnaire. Accordingly, it was anticipated that respondents would divulge figures relating to the financial years 1972-74, or 1973-75.

Table 7.5 : Printing Costs and Prices, 1968 - 1975

Year	Weekly Earnings	Price of printing and writing papers	Retail Prices	Price of general printing
1968	82.1	89.2	89.2	88.1
1969	89.2	91.7	94.0	91.4
1970	100.0	100.0	100.0	100.0
1971	109.3	106.6	109.4	108.7
1972	125.2	110.9	117.2	116.9
1973	140.7	122.3	128.0	124.7
1974	162.6	173.9	148.4	151.9
1975	199.0	221.3	184.4	184.8

Notes: (a) 1970 = 100.

(b) The official indices of weekly earnings (July 1972 = 100) and of retail prices (January 1974 = 100) have been rebased on 1970 = 100 to make them easier to compare with the indices of prices of printing and writing papers and of general printing and publishing.

(c) The index of earnings measures changes in average weekly earnings of all workers in the paper, printing and publishing industries. The indices of prices of paper and general printing measures changes in the home selling prices of the output of the industries concerned.

Source: Printing industry facts and figures, 1975. BPIF, pp.12-13.

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Referring again to Table 7.5, it can be seen that the price of general printing increased by 84.8 per cent. between 1970 and 1975; by 35 per cent. between 1972 and 1974; and by 60.1 per cent. between 1973 and 1975. It was considered that these price increases would serve as a general guide to the separation of actual increases in sales turnover recorded by respondents, from those which could be termed inflationary increases.

ENTRY INTO THE INDUSTRY

In evidence submitted to the Bolton Committee, the BPIF stated that entry into the industry is relatively simple as a small press can be obtained cheaply and can be operated in an area not much larger than a normal garage. This means that it is possible for an individual to build-up a small business on a part-time basis until it is large enough to occupy him full-time. Traditionally, then, such activities have ensured that there were plenty of new firms entering the industry at the bottom end of the size scale. However, in more recent times entry in terms of purchasing new equipment and machinery has proved to be more difficult because of large increases in the costs of capital equipment, e.g., printing machines. Thus the new entrant is nowadays relying more on the utilisation of second-hand and reconditioned machinery.

ADVANTAGES OF SMALL FIRMS

The advantage of the small firm is that management is much closer to the problems of the business. Also, the individual controlling the business is generally very close to his customers. For instance, at the lower end of the size range he will know them personally, and he will probably be one of the firm's most important salesmen. This close contact is very important when considering the bespoke nature of many printing products. Accordingly, the management of a small printing firm is

able to place priorities on delivery dates, price, quality and to reorganise the factory loading to meet the demands of customers. The longer the chain of communication between the customer and senior management, the more difficult and less certain such operations become. Management in small firms is also much closer to the shop floor and consequently there is more likelihood that a higher degree of flexibility will be obtained from the labour force, this in itself being very important to firms operating in an industry where the flow of work can be very volatile.

PROBLEMS FACING SMALL FIRMS

In general, small printing firms find difficulty in producing specialist managers, mainly because the nature of operations and the development of the firm demands a certain type of manager, namely one who can accomplish a variety of tasks in a routine manner. The proprietors of the very small firms usually divide time between production operations and management/administration, and if such firms do grow, their managements still maintain a close involvement with the details of production, with the frequent result being that specialist management skills are not developed from within. In contrast, large printing firms have a requirement for specialist management skills to cope with the more complicated problems of marketing, finance, administration, etc., and of course the expertise is developed internally by acquiring suitably qualified staff. However, the small printing firm may be unable to finance the provision of specialist management skills on a continuous basis, or these skills might not be required on a full-time basis, or even it might be considered that specialist knowledge is not needed, or that expertise developed from contact with other industries does not really have a bearing on the activities of solving problems inside a small printing firm.

INFLUENCE OF CRAFT IDEALS

Against the traditional background of the printing manager being a printer first and a manager second, Barry (1970) undertook some research in the industry by making comparative in-depth studies of a number of printing firms.⁽⁴⁾ The research was primarily concerned with management style, organisation structure and organisational effectiveness. The sample consisted of twenty-five medium-size and large printing firms, i.e., firms employing between 40 and 1,200 persons. The findings of the research regarding the background and qualifications of management and staff will be related briefly, as the interviewees possessed certain parochial characteristics.

The reseachers interviewed a total 601 respondents, consisting of directors, managers, supervisors, salesmen, estimators and order clerks. The results were presented under the headings of education, qualifications, training and length of experience in the printing industry. Accordingly, it was found that approximately 50 per cent. of the respondents had finished their education at elementary or secondary modern schools; and 81 per cent. had completed their full-time education by the age of 16 (33 per cent. by the age of 14). 41 per cent. of the respondents possessed no formal qualifications; 3 per cent. were professionally qualified; and 2 per cent. were graduates. 44 per cent. of the respondents claimed to have received some formal management training, although only 15 per cent. had attended courses lasting for more than one week; and 51 per cent. of those interviewed had completed a craft apprenticeship. 81 per cent. of the respondents had worked in the printing industry for more than ten years, and 54 per cent. for more than twenty years; 55 per cent. had worked for the same employer for more than ten years, and 33 per cent. for more than twenty years; 7 per cent. had worked in the

industry for five years, or less; and 29 per cent. had followed a family tradition of seeking work in the printing industry.

The Economic Study of the Printing Industry emphasised that printing is an industry wedded to a high standard of craft ideals, and that most of its management is not only conversant with technical and craft skills, but also has considerable practical experience in using them. In other words, craftsmanship dominated the industry from the top downwards. This factor has tended to tie firms and their managements much more closely to specific technologies than might have been the case had not craftsmanship been held in such high esteem. For the same reason the industry has always been much concerned with maintaining high quality in the production of print. However, this objective is relevant only when the customer recognises quality and is prepared to pay for it. The industry has also been notable for paying high wages,^{*} and with freedom of access to employment the industry could have attracted labour which was above average in quality. But there has been no freedom of access to employment: in its place there have existed very strong trade unions, restrictive practices and entry through craft apprenticeships only.

TECHNOLOGICAL DEVELOPMENTS

The industry is still evolving technologically and developments ensue mainly from the application of various forms of electronics such as computers, thus speeding-up the transition from craft-based operations. Increasingly, large sections of the industry have become semi-automatic processes, and in some areas processes are almost completely automatic. These developments have led to a greater concentration of finance, of production units

^{*} For instance, in October 1974 average earnings of full-time manual male workers in general printing were £52.27 a week compared with £49.12 a week in all manufacturing industries.
See: Printing industry facts and figures, 1975. London. BPIF.pii.

and much more specialisation in print work. It is expected that this process will continue over the next decade.⁽⁵⁾

The sharp differentiation in printing processes will tend to disappear and the distinction between letterpress, lithography and gravure will become even more blurred. Machines, except for short runs, will be rotary, and it is possible that one basic type of machine will finally appear. Therefore, considerable importance will be attached to the flexibility of printing surfaces. Machine speeds will continue to increase with the emphasis on reel-fed and web-fed machines. This trend coupled with the increasing costs of the equipment will result in the maintenance of the existing situation whereby there is a greater concentration of output in a small number of printing factories. Thus the industry has become more capital intensive as capital itself is more easily acquired by the larger groups. The use of professional management techniques will become crucial to the survival of all firms apart from those which are small enough to be under the personal supervision of one man.

The increasing use of photocomposing, computer typesetting and of electronic devices for preparation and control should lead to a reduction in manpower in composing rooms. Such machinery will still require craft skills for operation and the tendency will be for machine operators to become technicians - highly trained, skilled, paid and capable of diagnosing faults in equipment - although it will continue to be necessary to employ separate staffs of maintenance engineers. The use of more automatic machinery will lead to a reduction in the size of machine crews, but the extent of this reduction will be dependent upon the attitudes and influence of the printing trade unions. The increased use of electronic systems in printing processes will in turn increase the proportion of planning

and other preparatory staff to operatives. As the industry continues the switch from a craft to a technology, more professionalised managements will predominate in the future.

The higher rates of output obtainable will place more emphasis on the need to improve marketing and the present moves to create or develop orders, rather than carry out orders which are received by the industry, will gain momentum as the profits earned from the use of automatic machinery will depend on a high and an even rate of utilisation. The development of fast automatic machines will demand even greater standardisation of quality, texture and size of paper, and also of other ancillary materials such as printing ink.

With the increased concentration and specialisation in the industry there will still be considerable scope for the small firm that undertakes general jobbing, commercial and colour printing. However, the position of the medium-sized firm that wishes to grow will prove to be economically vulnerable if the transition from medium-size to large is not rapid. The main problem facing this size of firm will be the acquisition of capital to finance expansion: the cost of elevating to the bigger league of firms is becoming prohibitive, due mainly to the previously mentioned high costs of plant and machinery. Therefore, it appears that the structure of the industry might finally evolve into one consisting of a few, say twenty to thirty, very large firms and thousands of smaller firms. The latter would provide rapid delivery printing services, presumably using fast offset or rotary letterpress machines, and in addition to serving local needs, these firms would be able to undertake shorter-run work included in the price lists of large specialised printers.

OUTSIDE SERVICES AVAILABLE

1. British Printing Industries Federation The BPIF provides a comprehensive range of services for its membership.⁽⁶⁾ Many of these services are provided for small and medium-sized printing firms. Member firms receive publications; reports; recommendations; agreements covering wages and conditions for operatives (negotiated at the national level by the BPIF Labour Committee and the industry's various trade unions); economic and statistical information on the printing industry. An information and advisory service is operated to deal with requests relating to such areas as industrial relations and labour matters; legislation affecting the printing industry; HMSO printing contracts; general legal matters connected with running a printing business; educational matters such as training management, administration, technical, craft and operative personnel; costing systems and estimating procedures; suppliers of machinery, materials and services; and computer typesetting. From time to time the Federation runs courses, conferences, seminars and lectures on relevant topics for directors, executives, managers and young managers; and in addition, the latter can maintain close contact with the workings of the BPIF by attending association/Alliance meetings and functions, or by serving on association/Alliance committees and/or national standing committees. A technical advisory service exists to assist member firms with the improvement of print production efficiency, factory layout, production control, and the service is also a publisher of information covering current technical developments in the industry. Whenever necessary, Federation staff will visit a member firm to discuss measures to improve technical efficiency.

A management accounting section encourages firms in the industry to use sound and uniform methods of costing, mainly in an effort to

eliminate cut-throat price competition. The Federation costing system has been installed in many members' offices by the Federation staff of management accountants, and advice on costing and estimating questions is always available. The services of the management accounting staff currently cost in the region of £45 per day. A guide to cost rates for all printing operations is issued periodically to members, and a computer service (operated in conjunction with an outside computer bureau) provides participating firms with costing and accounting information on a weekly and/or monthly basis. The computer service has been available since 1966.

Another valuable service is the management ratios scheme - mentioned in an earlier part of this chapter - which enables participants to compare their return-on-capital and figures for expenses, wages, and other costs with those of similar firms or other sections of the industry. The information produced indicates where improvements can be made. A salary survey comparing the remuneration details of a range of different job categories is made annually. Finally, correspondence courses are available in costing; estimating; general technical knowledge; printing salesmanship; and printing office procedure. The Federation runs examinations annually in all of these subjects.

It can therefore be seen that the BPIF provides a fairly extensive advisory and consultancy service to its members. However, even though these services are continually promoted both at national and regional levels, the experience of the BPIF shows that the demand from small firms is not proportional to the numbers in membership.

2. Printing Industries Research Association PIRA is a Co-operative technological and information centre working for the paper, printing and

packaging industries. It undertakes (i) long-term research projects which can be commissioned by individual companies or carried out on behalf of the industry as a whole; (ii) short-term projects which are connected with solving the narrower technical problems of individual firms. PIRA also provides a technical and research abstracting service and a materials testing service. Over the last five years or so, PIRA's role has been undergoing change from objective basic research to applied research; service work; and information collection and dissemination. In general terms, it is establishing itself as the main technical centre for the printing industry, undertaking either research of a background kind, or sponsored work appropriate to its skills.

PIRA has gained experience in all branches of the printing and allied trades, and it also possesses scientific expertise. Accordingly, PIRA is in a good position to provide impartial technical and scientific guidance to the industry and its suppliers; to explain the needs and problems of the printer to his suppliers, and vice versa; to stimulate the interest of suppliers in meeting these needs and arranging for impartial tests of the products when available; and to act as a technical link between other research organisations and the printing industry. Also, PIRA is a technical listening post for the industry, and a transmitter of information, the latter being presented in terms which printers understand. Lastly, there is a commitment to making a contribution towards improving the efficiency of the printing industry by introducing new techniques of a technical or technico-economic nature, e.g., quality control, materials handling, automation, operational research, market research, training aids, and so forth.

Concerning the more specific features of PIRA's research effort,

attention has been paid to process improvement; quality control; and technical trouble shooting - included in this area would be research on the performance qualities of paper. PIRA has made efforts to stimulate the interests of equipment manufacturers and provide them with performance specifications; and also, undertaking research - either as part of a co-operative programme, or as sponsored work - that will provide background information on the performance of machinery.* For example, the greater automation and programming of the printing press will undoubtedly continue. One part of the press requiring automation is the inking system. Thus it will be necessary to continue with the redesign of this to gain increased control. But in order to accomplish this, further basic knowledge on the behaviour of ink systems needs to be acquired. Associated areas of research would be the transfer of ink to paper, and the behaviour of paper in the nip.

Although many different services are offered by PIRA, a small printing firm might be unable to afford the annual subscription and/or the fees charged for technical and scientific consultancy. On top of this there is the problem of accessibility for those firms located a good distance from PIRA's base of operations in Surrey. However,

* Recently the Government announced plans for the granting of £20m. aid to the printing machinery industry. The initiative for the printing machinery project came from the Department of Industry which has been concerned about the decline in the U.K.'s share of world trade. In 1971 the U.K. share of OECD countries' exports of printing and allied machinery was down to 13.5 per cent. from around 18 per cent. in 1963. The decline increased in the following two years and in 1973 the U.K. share of OECD exports had fallen to 9.6 per cent. One contributory factor is the decline of 'hot metal' printing in favour of newer forms of type-setting, such as phototype-setting. The U.K. has tended to be strongest in 'hot metal' machinery and suffered as the new technology advanced. The Government scheme is aimed at encouraging companies to step-up their efforts to bring on stream machines incorporating newer technology. See: £20m. aid likely for printing. Financial Times, 13th February, 1976.

there exist more than sixty printing schools in the U.K., and many of these have laboratory facilities which could be used by local printing firms in connection with the solving of technical, technological and scientific problems of print production. Whenever such problems do occur, it is not unusual for production processes to be slowed-down, or even stopped as a result. Therefore, the smaller printing firm, and indeed those of a bigger size as well, would benefit from the availability of a local problem-solving service.

3. Technical Consultancy Technical consultancy services are usually obtainable from the manufacturers of printing machinery and ancillary equipment. Apart from meeting any necessary technical specifications, the supplier will usually advise the customer on such matters as location and the provision of essential supporting facilities. For example, the supplier of composing room equipment will undertake to produce layouts - incorporating the principles of work study - for the final location of the new equipment, together with any necessary relocation of existing equipment.

4. Management Consultancy In the field of management consultancy, services are available from any one of a large number of management consultancy firms. Although this expert advice is available, its cost, generally, does not increase directly with the size of a client firm. For instance, the BPIF's own consultants have found that it may take just as long to resolve the problems of a small firm as those of a larger one. This is mainly because in small firms the management and organisation structure tends to be more nebulous and information systems less sophisticated. This means that many small firms in the industry operate on a scale which is too small to justify the employment of consultants on non-standard problems.

Therefore, the fees charged by many management consultancy firms, especially the large national firms such as PA Management Consultants, are too expensive for the smaller printing firm.* The problems of providing management consultancy services to the smaller firm sector of the economy will not be discussed any further here, as they were previously covered in some detail in Chapter 4, Case Reports OSF/1 and OSF/2. However, the following statement made by the BPIF in evidence submitted to the Bolton Committee will be cited, as it has some bearing on the problem:

"If the Government, therefore, are concerned about improving the efficiency of small firms, they might well consider the possibility of extending the pilot schemes which operated successfully in the Bristol and Glasgow areas. This could either be considered as a permanent arrangement with the objective of improving the efficiency of small firms by increasing their ability to draw on external expertise; or it could be considered as a short to medium-term exercise to improve the efficiency of a number of small firms who might in turn be expected to act as catalysts for their competitors in a given market.'⁺

* PA Management Consultants, which was founded in 1944, has for a long time maintained an operating specialisation in the printing and allied trades.

+ Although the introduction of similar schemes to that of the Bristol/Glasgow exercise did not appear in the wake of the Bolton Inquiry, more recently, i.e., 1976, and as part of the Government's scheme of making available up to £20m. and to encourage rationalisation in the clothing industry, there is a scheme listed under Category 1 - Consultancy Assistance: 'Grants at 50 per cent. of approved consultancy fees to companies or groups not employing more than 300 persons in clothing manufacture, for the use of consultants to investigate problems and formulate proposals directed at improving productivity and efficiency in individual firms.'

5. Printing and Publishing Industry Training Board The PPITB was set-up on the 29th May, 1968. Since then many small firms in the industry have been fairly vocal on the subject of the PPITB, i.e., there have been a number of complaints that the grant scheme is orientated towards the larger firms, and that it is much more difficult for the small firm to release staff to attend training courses. It is claimed that it is uneconomical for smaller firms to produce an analysis of their training needs; to employ a training officer; and to release staff for training courses - all of which activities qualified for grants. Thus grants could be more readily obtained by larger firms which tended to produce a net income redistribution effect unfavourable to small firms. Difficulties were also caused by the ITB levy, which, in many cases, placed yet another burden on already stretched financial resources of the small firms in the industry. But there were some compensating advantages for small firms: firms with a payroll below £20,000 p.a. paid a reduced grant, and those with a payroll less than £12,500 p.a. paid none at all. More recently, printing concerns which satisfied the PPITB of their competence to fulfil their own training needs were exempt from paying levies after April 1975: exemption certificates are granted on a yearly basis, and any exempt concerns found to be falling below standards would be brought back into levy.

Apart from performing its statutory function, the PPITB can apply its expertise to other problem areas in a small firm. For instance, an organisational appraisal could be undertaken with this possibly leading to the giving of advice in other management areas such as financial management and administration; or, the management of the firm concerned might be referred to other agencies or providers

of outside services. However, the extent to which other advice is given is really dependent upon the attitudes of the management of a particular small firm and the degree to which other advice is actually needed, or is sought.

* * * * *

REFERENCES : CHAPTER 7

- (1) Economic study of the printing industry. London. The British Federation of Master Printers. May 1965. pp. 25, 12, 13.
- (2) Evidence submitted in January 1970 by the British Federation of Master Printers to the Committee of Inquiry on Small Firms. See pp. 1; 2-4; 4-7; 10.
- (3) Printing industry facts and figures, 1975. London. British Printing Industries Federation. pp. 19, 21; 20, ii; 1-2; 12-13.
- (4) Barry, B. (1970). Making printers into managers. Management Today, June 1970. pp. 57, 60, 62, 64.
- (5) Riddell, G.L. (1970) Printing in the seventies and PIRA's role. Leatherhead, Surrey. The Research Association for the Paper and Board, Printing and Packaging Industries. pp. 2-11.
- (6) The Master Printers Annual, 1974. London. British Federation of Master Printers. pp. 7-10; 179-181; 761-764.

CHAPTER 8

QUESTIONNAIRE SURVEY

INTRODUCTION

1. The questionnaire was sent to a sample of 195 printing firms - employing up to 200 persons - located in the counties of Avon, Somerset, Gloucestershire and Wiltshire. The questionnaires were posted at the beginning of November 1975, and the survey was closed down two months later at the end of December. All but four of the replies had been received by the end of November.
2. 61 analysable replies were received, with this figure representing a response rate of 31.28 per cent. It was thought that this response was reasonable for a postal questionnaire survey.
3. 27 respondents were firms located in Avon (44.26 per cent. of the respondents); 14 (22.95 per cent.) were from Somerset; 8 (13.12 per cent.) were from Gloucestershire; and 12 (19.67 per cent.) were from Wiltshire.
4. The size distribution of the 61 respondents consisted of 35 (57.38 per cent.) in the size range 1-25 employees; 12 (19.67 per cent.) were in the range 25-50 employees; 9 (14.75 per cent.) were in the range 50-100 employees; and 5 (8.20 per cent.) were in the range 100-200 employees.
5. 30 respondents (49.18 per cent) indicated a willingness to discuss the subject matter of the questionnaire in more detail. This response was thought to be encouraging.

6. For the purpose of analysis the 61 firms were divided into two groups, namely Non-users and Users. There were 11 Non-users and 50 Users, and the data relating to these firms is presented in Sections 8.1 and 8.2 of this chapter. The 50 Users were then sub-divided into three groups, namely Miscellaneous Users, Uninfluenced Users and Influenced Users. There were 16 Miscellaneous Users and the common feature of these firms was that they did not give complete information on sales turnover. There were 17 Uninfluenced Users and 17 Influenced Users : the former claimed that growth had not been influenced by the use of outside services, and the latter claimed that it had. The data relating to these different groups of firms will be found in Appendix 8.2.

8.1 THE NON - USERS

ANALYSIS

There were 11 firms which had not used any of the outside services included in the questionnaire. The data collected on these firms is summarised in Appendix 8.1.

RESULTS

1. The very great majority of the non-user firms, i.e., ten out of eleven, were very small firms employing 1-25 persons engaged primarily in jobbing work and using uncomplicated printing technology.

2. The great majority (nine firms) specified that outside services had not been needed. Of the remaining two, one had not considered using outside services, and the other indicated a previous unsatisfactory experience of use.

3. On the subject of the sales turnover recorded by the eleven non-users, four refused to disclose on the grounds that the information was confidential; two were one-man businesses, with one of these describing his turnover as static and that he had no intention of expanding; two others proved to be tiny firms with a static turnover, namely, £16,000 and £33,000 p.a.; another four were also quite small businesses with annual sales turnovers in the range £38,000 to £81,000; and the remaining firm - which was the biggest in the group of non-users with 50-100 persons employed - had a sales turnover in excess of £300,000.

4. Growth performance in respect of cumulative percentage increase over the three-year period reviewed for the five firms which could be assessed was as follows:

<u>Range</u>	<u>No. of Firms</u>
6 - 31	4
66 - 69	2

5. Nine firms mentioned factors contributing to an increased sales turnover, and these are set out below.

<u>Factor</u>	<u>Frequency (f)</u>
Industry-wide Increase in Demand	2
Increased Production Facilities (in the form of additional personnel, plant and/or machinery)	5
More Intensive Selling Activities (and the acquisition of new accounts)	6
Entry into New Markets	4
Greater Competitiveness (of the firm, due to increased efficiency and effectiveness of management, administration and production)	4
Others (mainly inflation)	4

It is therefore apparent that overall the two most frequently mentioned factors were More Intensive Selling and Increased Production Facilities. If the five firms are considered where it was known definitely that sales turnover had increased, the pattern is the same. Moreover, More Intensive Selling was ranked most important by three of these firms, while Increased Production Facilities was similarly ranked by only one firm. Inflation was cited by only two of these firms, and in both cases it was ranked as the least important factor. Lastly, Entry into New Markets was mentioned by the two firms with the highest growth rate, and one of them ranked the factor as most important.

* * *

8.2 THE USERS

NUMBER OF OUTSIDE SERVICES USED

There were 50 firms which had used at least one of the seventeen outside services specified over the previous three years. On the following page, Table 8.1 indicates that 24 per cent of the USERS used one outside service; 18 per cent used two; 16 per cent used three; 10 per cent used four; 10 per cent used five; 4 per cent used six; 10 per cent used seven; 2 per cent used eight; 2 per cent used nine; and 4 per cent used ten. The maximum number of outside services used was therefore ten; there were two firms in this category. Also included in the table are details of the number of outside services used by firms in each size range, e.g., six firms (12 per cent of the users) using just one outside service were very small (1-25 employees). Regarding the breakdown of the USERS according to size range, 25 firms (50 per cent) were in the range 1-25 employees; 12 (24 per cent) were in the range 25-50 employees; 8 (16 per cent) were in the range 50-100 employees; and 5 (10 per cent) were in the range 100-200 employees. Lastly, it can be seen that 39 firms (78 per cent) used from one to five of the seventeen outside services.

TYPES OF OUTSIDE SERVICE USED

The types of outside service which had been used by the 50 firms in the period reviewed are set out in Table 8.2. The information included in the table has been used to prepare Illustration 8.1, with this ranking the frequency of use. Accordingly, it can be seen that the most frequently used outside services were the BPIF: 33 firms (66 per cent); Advice and Consultancy from the suppliers of production equipment: 29 firms (58 per cent); the PPITB: 20 firms (40 per cent); Employment Bureau: 18 firms (36 per cent); services in addition to the normal Auditing Services available from an Accountant: 13 firms (26 per cent); Technical Consultants: 11 firms (22 per cent).

Table 8.1 : The number of outside services used by the firms over the previous period of three years.

Number of outside services used	Number of firms in each size range				Total	Percentage
	1-25	25-50	50-100	100-200		
1	6	4	1	1	12	24
2	7	2			9	18
3	6		2		8	16
4	2	2	1		5	10
5	2	1		2	5	10
6		1		1	2	4
7		1	3	1	5	10
8	1				1	2
9		1			1	2
10	1		1		2	4
	—	—	—	—	—	—
	25	12	8	5	50	100
	—	—	—	—	—	—

Note: Number of firms : 50.

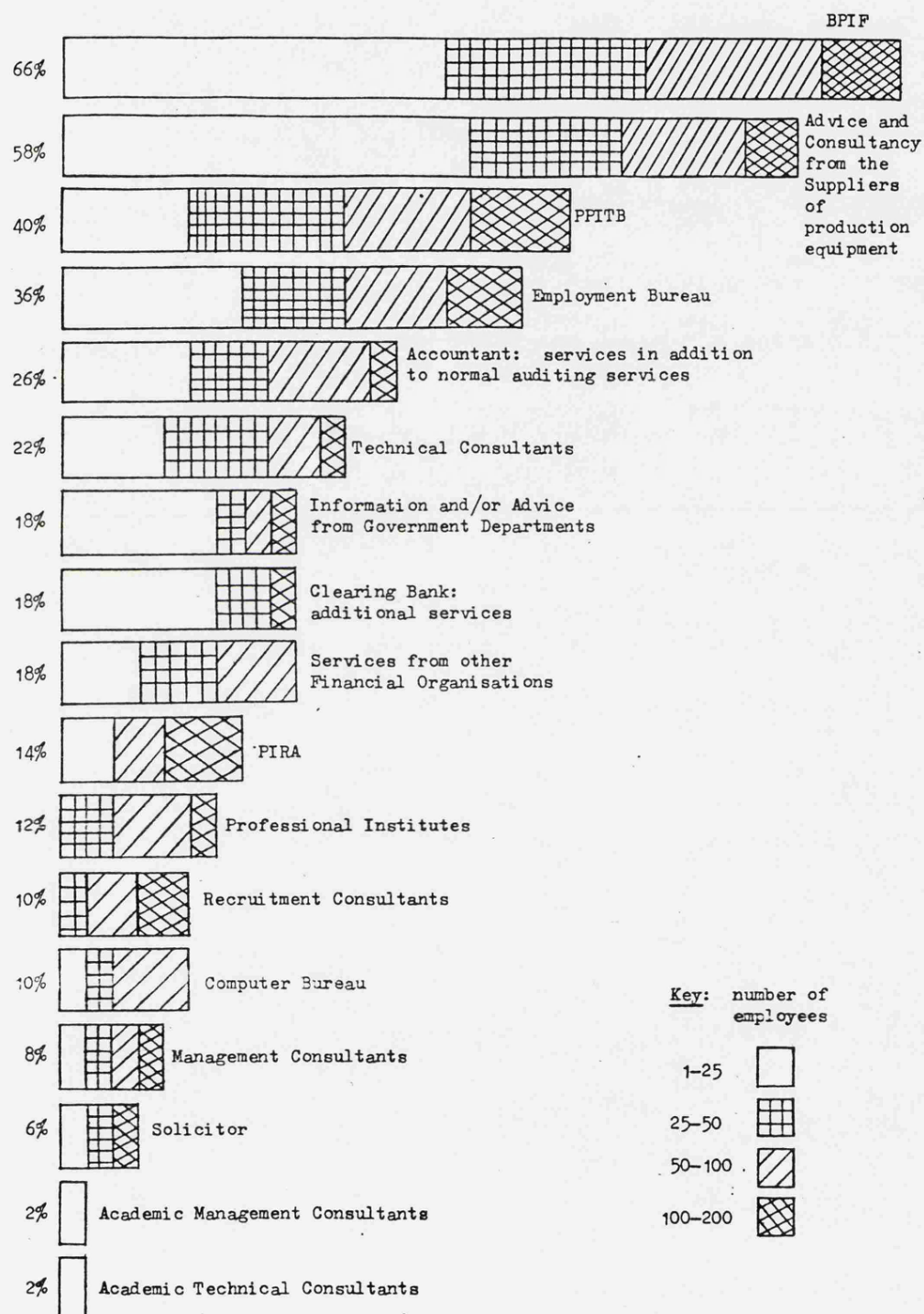
Table 8.2 : Types of Outside Service Used

Type of outside service	Number of firms in each size range				Total	Percentage of firms using service
	1-25	25-50	50-100	100-200		
1. Management Consultants	1	1	1	1	4	8
2. Academic Management Consultants	1				1	2
3. Technical Consultants	4	4	2	1	11	22
4. Academic Technical Consultants	1				1	2
5. Recruitment Consultants		1	2	2	5	10
6. Research Association (PIRA)	2		2	3	7	14
7. Employers' Federation (BPIF)	15	8	7	3	33	66
8. Services in addition to the normal Auditing services available from an Accountant	5	3	4	1	13	26
9. Services in addition to the general legal services available from a Solicitor	1	1		1	3	6
10. Advice and Consultancy from the suppliers of production equipment	16	6	5	2	29	58
11. Professional Institutes		2	3	1	6	12
12. Information and/or advice from Government Departments	6	1	1	1	9	18
13. Industry Training Board	5	6	5	4	20	40
14. Services in addition to the normal banking services available from a Clearing Bank	6	2		1	9	18
15. Services from other financial Organisations	3	3	3		9	18
16. Employment Bureau	7	4	4	3	18	36
17. Computer Bureau	1	1	3		5	10

Notes: (a) The above data relates to the 50 firms which were designated as USERS.

(b) Two respondents stated that Management Consultants had been employed prior to the three-year period under review: one firm employed 1-25 persons, and the other employed 50-100 persons.

Illustration 8.1: Types of Outside Service Used - rank order of frequency of use



MANAGEMENT AREAS STRENGTHENED

There were 9 firms (18 per cent of the users), using from one to three outside services, which did not appear to have obtained a strengthening in any of the management areas specified in the questionnaire, i.e., seven of these firms did not indicate any, and two stated that none of the areas had been strengthened.

An examination of the data included in Table 8.3 (and Illustration 8.2) reveals that 41 firms (82 per cent of the users) had at least one management area strengthened as a result of using at least one outside service, i.e., 16 firms (32 per cent of the users) had one management area strengthened; 9 firms (18 per cent) had two; 6 firms (12 per cent) had three; 3 firms (6 per cent) had four; 3 firms (6 per cent) had five; and 4 firms (8 per cent) claimed a strengthening in all six of the listed areas of management.

The management areas outlined in the questionnaire were general management and organisation; financial management and administration; personnel management, development and training; marketing and sales; production management and control; receiving information and advice helpful in running the business. A total of 32 firms (64 per cent of the users) had received information and advice classed as 'helpful'; 21 firms (42 per cent) indicated that the financial management and administration areas of their firms had been strengthened; 17 firms (34 per cent) made similar statements about production management and control; 15 firms (30 per cent) stated that the general management and organisation of their firms had been strengthened; and 13 firms (26 per cent) indicated that there had been a similar effect concerning personnel management, development and training. The strengthening of the marketing and sales management area was, however, mentioned by only 6 firms (12 per cent). Summary details of the management areas strengthened in user firms will be found in Table 8.4. In addition, Illustration 8.3 presents the data in rank order of frequency.

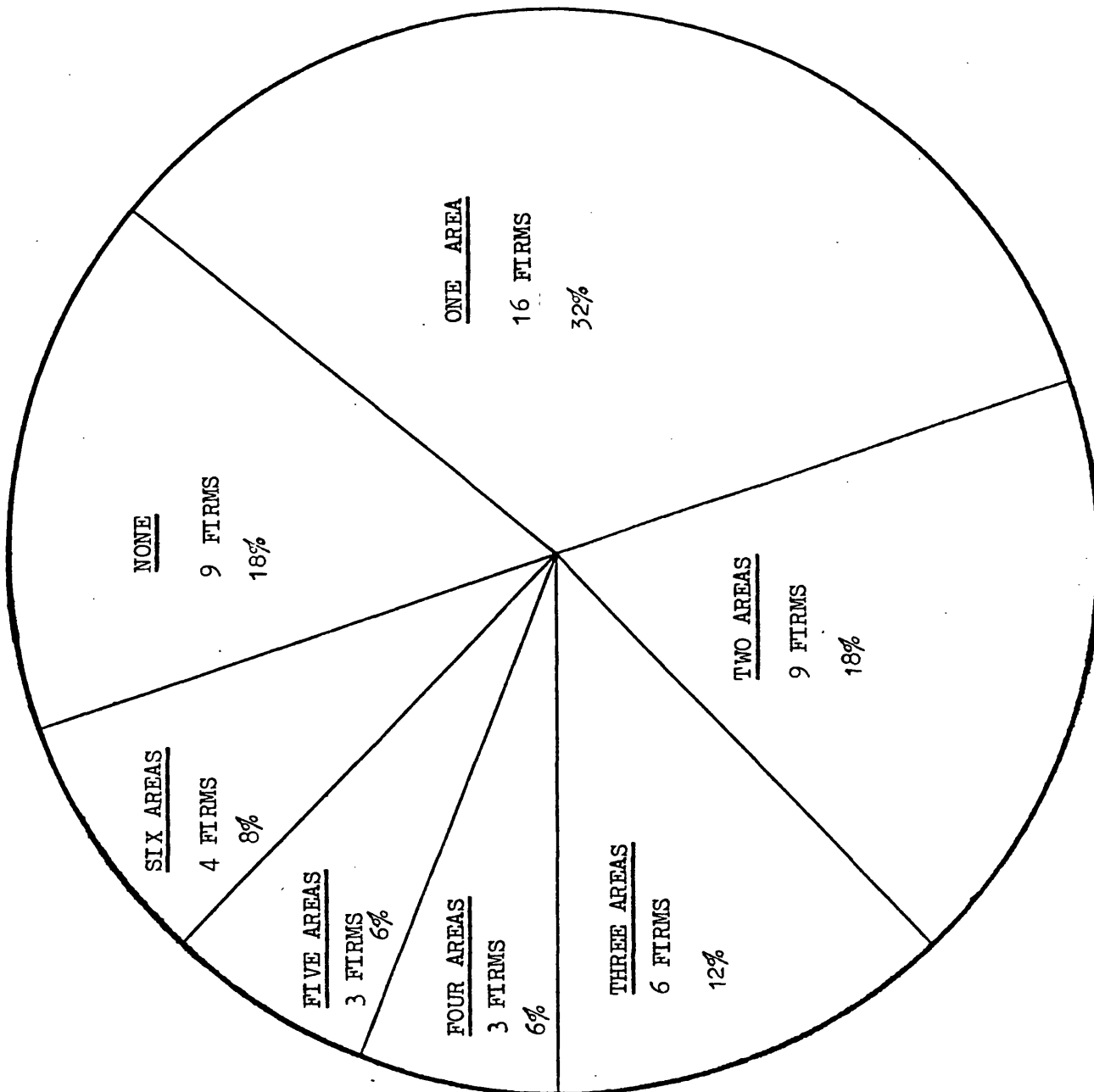
Table 8.3: Number of firms obtaining a strengthening in one to six of the specified management areas.

Number of management areas strengthened	Number of firms in each size range				Total	Percentage
	1-25	25-50	50-100	100-200		
one	11	5			16	32
two	3	2	2	2	9	18
three	2	3	1		6	12
four	1		2		3	6
five	1		1	1	3	6
six	2	1		1	4	8
	<u>20</u>	<u>11</u>	<u>6</u>	<u>4</u>	<u>41</u>	<u>82</u>

Notes: (a) In the above table there are 41 firms (82 per cent. of the Users) which had at least one management area strengthened as a result of using at least one outside service.

(b) The percentages relate to the 50 Users of outside services.

Illustration 8.2: Number of Management Areas Strengthened as a Result of Using Outside Services.



Notes:

- (a) Six management areas were specified in the questionnaire
- (b) Figures relate to the 50 firms which had used at least one outside service

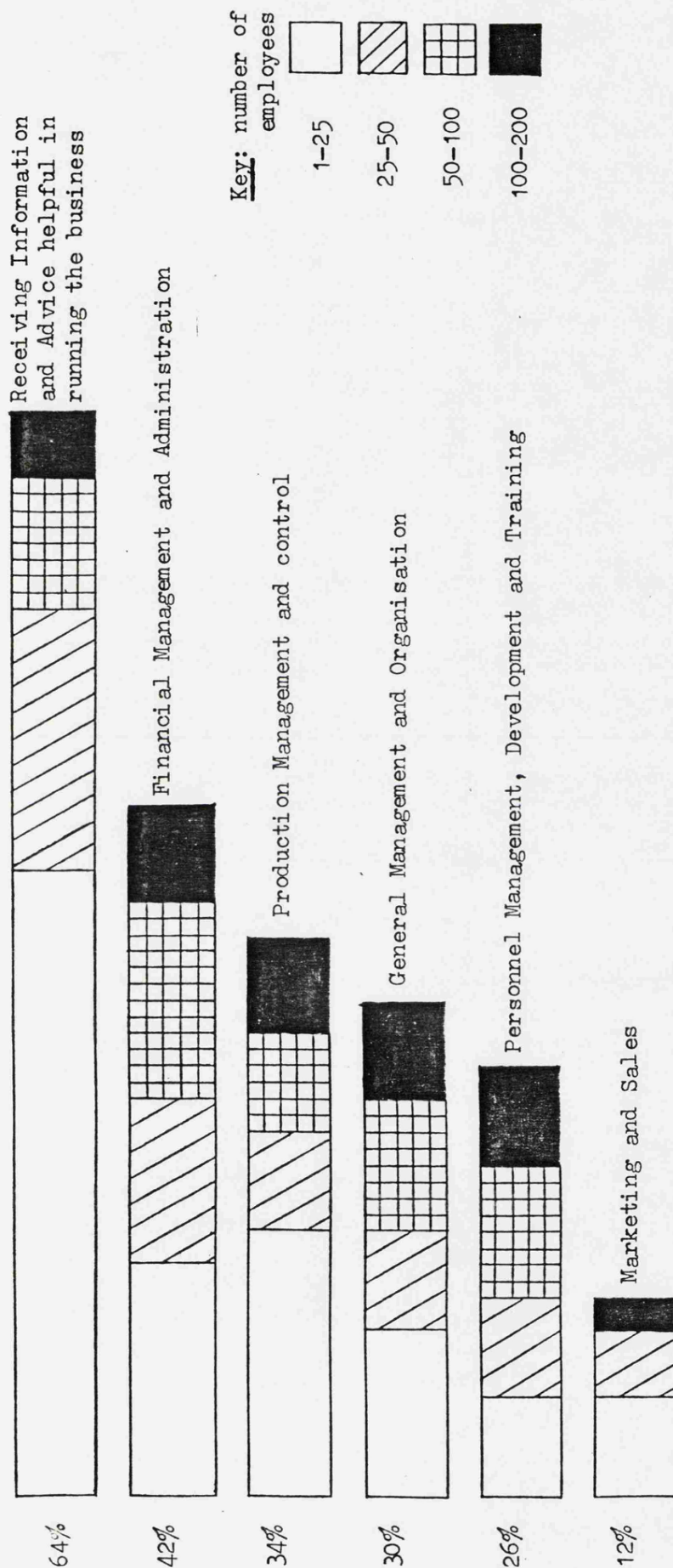
Table 8.4: The Management Areas Strengthened.

Management area	Number of firms in each size range				Total	Percentage of firms with Management strengthened in this area
	1-25	25-50	50-100	100-200		
General Management & Organisation	5	3	4	3	15	30
Financial Management & Administration	7	5	6	3	21	42
Personnel Management, Development & Training	3	3	4	3	13	26
Marketing & Sales	3	2		1	6	12
Production Management & Control	8	3	3	3	17	34
Receiving Information and Advice helpful in running the business	18	8	4	2	32	64

Notes: (a) The above table relates to the 41 firms (82 per cent. of the Users) which had at least one management area strengthened as a result of using at least one outside service.

(b) The percentages relate to the 50 Users of outside services.

Illustration 8.3: Management Areas Strengthened - rank order of frequency



- Notes: (a) The above percentages relate to the 50 Users of outside services.
 (b) There were 41 firms (82 per cent. of the Users) which had at least one management area strengthened as a result of using at least one outside service.

TURNOVER ANALYSIS

The turnover range of the 34 firms (68 per cent of the users) which quantified sales turnover forms Table 8.5. The majority of these firms (22 firms in all) recorded a sales turnover in the range £10,000 - £300,000 p.a. The smallest firm had a turnover of £5,800 p.a. and four firms disclosed relatively large turnovers, viz. £753,000, £1,391,000, £1,800,000 and £3,750,000.

The performance of this group of 34 firms in respect of a cumulative percentage increase in sales turnover over the three year period is outlined in Appendix 8.3. From this appendix it is evident that 5 firms (10 per cent of the users) were in the range 10-20 per cent cumulative increase; 6 firms (12 per cent): 20-30 per cent range; 8 firms (16 per cent): 30-40 per cent range; 2 firms (4 per cent): 40-50 per cent range; 5 firms (10 per cent): 50-60 per cent range; 4 firms (8 per cent): 70-80 per cent range; 1 firm (2 per cent): 80-90 per cent range; and lastly, 3 firms (6 per cent): 90-170 per cent range.

FACTORS CONTRIBUTING TO AN INCREASED SALES TURNOVER

In all there were 44 firms (88 per cent of the users) which specified from 1 to 4 contributory factors to an increased sales turnover: ten of these firms did not disclose complete information on turnover. In Table 8.6 overleaf, it will be seen that 8 firms (16 per cent of the users) specified one factor; 11 firms (22 per cent): two factors; 15 firms (30 per cent): three factors; and 10 firms (20 per cent) specified four factors.

Table 8.7 is an analysis of the response made by the same 44 firms to the seven factors listed in the questionnaire. From the appendix it can be seen that the most frequently specified factor was - Increased Production Facilities (in the form of additional personnel, plant and/or machinery): this factor was specified by 29 firms (58 per cent of the users). The other factors were: More Intensive Selling Activities (and the acquisition of new print accounts): 28 firms (56 per cent); Greater Competitiveness of the Firm (due to increased efficiency and effectiveness of management, administration and production: 24 firms (48 per cent); Others (consisting of price inflation, increased orders from a main customer, increased productivity, diversification into

Table 8.5: Turnover Range of Users

Sales Turnover : £'000s	Number of firms
Up to 10	3
10 - 50	6
50 - 100	4
100 - 200	6
200 - 300	6
300 - 400	3
400 - 500	2
500 and above	<u>4</u>
Total:	<u>34</u>

Notes: (a) The above table pertains to the data disclosed by 34 user firms.

(b) The most recent figure for sales turnover was used in the preparation of the table.

Table 8.6: Users specifying from one to four contributory factors to an increased sales turnover

Number of factors specified	Number of firms in each size range				Total	Percentage of Users
	1-25	25-50	50-100	100-200		
One	5	2	1		8	16
Two	5	3	2	1	11	22
Three	7	2	3	3	15	30
Four	5	2	2	1	10	20
					—	
					44	
					—	

Notes:

- (a) 34 firms disclosed complete information on sales turnover.
- (b) 10 firms claimed that sales turnover had increased but did not disclose complete information.

Table 8.7 : Factors Contributing to an Increased Sales Turnover

Factors	Ranking	Number of firms in each size range				Sub-total	Total	Percentage of Users
		1-25	25-50	50-100	100-200			
A. An industry-wide increase in demand		4	1	2	3		10	20
	Ranked 1	2				2		
	Ranked 2	1	1	1	2	5		
	Ranked 4			1		1		
	Not Ranked	1			1	2		
						<u>10</u>		
B. Increased production of facilities in the form of additional personnel, plant and/or machinery		14	8	5	2		29	58
	Ranked 1	4	3	2		9		
	Ranked 2	3	2	2	1	8		
	Ranked 3	3	2	1	1	7		
	Not Ranked	4	1			5		
						<u>29</u>		
C. More intensive selling activities and the acquisition of new print accounts		15	4	6	3		28	56
	Ranked 1	5		3	1	9		
	Ranked 2	2	2	1	1	6		
	Ranked 3	3	1	2		6		
	Ranked 4	1				1		
	Not Ranked	4	1		1	6		
						<u>28</u>		
D. Entry into new markets		5	3	2	1		11	22
	Ranked 1	2	2			4		
	Ranked 2	1	1	1		3		
	Ranked 3	1			1	2		
	Ranked 4			1		1		
	Not Ranked	1				1		
						<u>11</u>		
E. Acquisition of, or merger with another printing firm		1 (Ranked 1)					1	2
F. Greater competitiveness of the firm due to increased efficiency and effectiveness of management, administration and production		13	2	5	4		24	48
	Ranked 1	2		1	2	5		
	Ranked 2	4		2		6		
	Ranked 3	2		2		4		
	Ranked 4	2	1		1	4		
	Not Ranked	3	1		1	5		
						<u>24</u>		
G. Others:							12	24
a. Price inflation		2	3	2	1			
	Ranked 1	2	2	2	1	7		
	Ranked 4		1			1		
b. Increased orders from a main customer					1	1		
					(Ranked 1)			
c. Increased productivity		1				1		
		(Ranked 1)						
d. Diversification into publishing		1				1		
		(Ranked 2)						
e. Recommendation and personal service		1				1		
		(Ranked 2)				<u>12</u>		

Notes:

- (a) The data presented in the above table relates to the 34 Users
(i) recording an increase in sales turnover over the three-year period;
and (ii) disclosing details of sales turnover.
- (b) The data also relates to an additional 10 Users which (i) claimed an increase in sales turnover; and (ii) did not disclose any figures.
- (c) One firm ranked factors C. and F. equally: both were Ranked 1.

publishing, recommendation and personal service): 12 firms (24 per cent); Entry into New Markets: 11 firms (22 per cent); Industry-wide Increase in Demand: 10 firms (20 per cent); and Merger (with another printing firm): 1 firm (2 per cent).

Turning to the 34 firms which gave complete information on sales turnover (see Appendix 8.3), details of the frequency of specification, and ranking, are included in Appendix 8.4, overleaf.

From the appendix it can be seen that the most frequently specified factor contributing to an increase in sales turnover was - More Intensive Selling Activities: 23 firms (46 per cent. of the Users).

The other factors were specified as follows: Increased Production Facilities: 21 firms (42 per cent.); Greater Competitiveness: 21 firms (42 per cent.); Others (consisting of increased orders from main customer, recommendation and personal service, diversification into publishing, inflation): 9 firms (18 per cent.); Entry into New Markets: 8 firms (16 per cent.); Industry-wide Increase in Demand: 7 firms (14 per cent.); and Merger: 1 firm (2 per cent.).

The ranking of the factors has been highlighted in Appendix 8.5.

It is noticeable from the appendix that the factor which ranked 'first' most frequently was - More Intensive Selling: 9 firms (18 per cent. of the Users). The other factors were - Inflation: 6 firms (12 per cent.); Increased Production Facilities: 5 firms (10 per cent.); Greater Competitiveness: 5 firms (10 per cent.); Entry into New Markets: 2 firms (4 per cent.).

When the eight firms which achieved the highest rate of growth are considered, i.e., between 70-170 per cent. cumulative increase in sales turnover - see Appendix 8.3 - it can be seen that the factor ranked 'first' most frequently was - More Intensive Selling. It was

ranked so by three of these firms, one of which achieved the highest rate of growth, namely, 165 per cent. The other factors ranked 'first' were - Increased Production Facilities: 2 firms; Greater Competitiveness: 2 firms; Merger: 1 firm; and Inflation: 1 firm.

A summary of the findings relating to the four groups of firms which specified the factors contributing to an increase in sales turnover will be found in Illustration 8.4.

OUTSIDE SERVICES AS A FACTOR INFLUENCING GROWTH

When referring to Illustration 8.5, it will be seen that out of 34 firms achieving anything from 10 per cent to 170 per cent cumulative increase in sales turnover over the three-year period, there were 17 firms (34 per cent of the users) which stated that the use of outside services had not been a factor influencing growth. Opposite to this finding are the facts that (a) 16 firms (32 per cent) stated that the use of outside services had been one of several factors influencing growth; and (b) one firm stated that the use had had a positive influence on growth.

However, when the 8 firms which achieved the highest rate of growth are considered, i.e., in the range 70-170 per cent, it will be seen that 6 of these firms stated that the use of outside services was a factor influencing growth: see Illustration 8.6.

Illustration 8.4 : Factors Contributing to an Increased Sales Turnover - order of importance

F A C T O R S						G R O U P S			
<p>(A)</p> <p><u>44 Firms</u></p> <p>Frequency of Specification</p>	INCREASED PRODUCTION FACILITIES	MORE INTENSIVE SELLING	GREATER COMPETITIVENESS	OTHERS: including Inflation	ENTRY INTO NEW MARKETS	INDUSTRY-WIDE INCREASE IN DEMAND	MERGER	continued	
	MORE INTENSIVE SELLING	INCREASED PRODUCTION FACILITIES	GREATER COMPETITIVENESS	OTHERS: including Inflation	ENTRY INTO NEW MARKETS	INDUSTRY-WIDE INCREASE IN DEMAND	MERGER		
	MORE INTENSIVE SELLING	OTHER: INFLATION	INCREASED PRODUCTION FACILITIES	GREATER COMPETITIVENESS	ENTRY INTO NEW MARKETS	INDUSTRY-WIDE INCREASE IN DEMAND	MERGER		
	MORE INTENSIVE SELLING	INCREASED PRODUCTION FACILITIES	GREATER COMPETITIVENESS	OTHER: INFLATION	MERGER				

Notes:

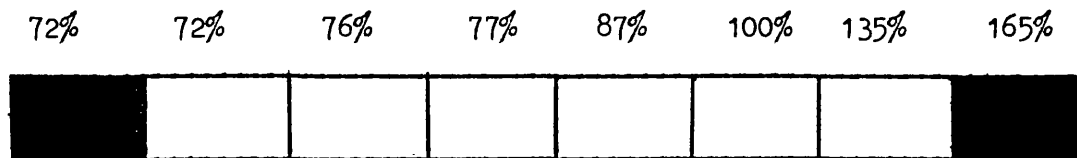
- (a) Group A consists of the 44 firms which indicated that sales turnover had increased over the three-year period reviewed.
- (b) Group B consists of the 34 firms which disclosed complete information on sales turnover.
- (c) Group C : ditto (b) above.
- (d) Group D consists of the 8 firms which achieved highest rate of growth in terms of increased sales turnover, i.e , 70-170 per cent. cumulative increase.

Illustration 8.5 : Outside Services as a Factor Influencing Growth - distribution of the 34 firms disclosing complete information on sales turnover

%	POSITIVE					ONE OF SEVERAL FACTORS					NOT AT ALL					Cumulative Percentage Increase in Sales Turnover	Size of firm: number of employees
	1-25	25-50	50-100	100-200		1-25	25-50	50-100	100-200		1-25	25-50	50-100	100-200			
100-170						•			•		•						
80-90							•										
70-80						•	•		•		•						
50-60								•			••••						
40-50								•			•						
30-40								•	•		••••		••	•			
20-30		•				•		•	•			•					
10-20						•	•				•	•			•		
information on sales turnover																	


Illustration 8.6: Outside Services as a Factor
Influencing Growth - the 8 firms achieving
the highest rate of growth.


Range : 70 - 170 per cent. cumulative increase in sales turnover.



Key:

Influence of Outside Services:

 NOT AT ALL : 2 Firms.

 ONE OF SEVERAL FACTORS : 6 Firms

* * * * *

CHAPTER 9

FIELDWORK ON INFLUENCED USERS

INTRODUCTION

Field visits were made to nine Influenced Users, and the selection procedure employed is outlined below.

1. Of the 50 firms which had used at least one of the seventeen outside services specified in the questionnaire, 27 firms had indicated a willingness to discuss the subject matter in more detail.
2. 20 firms from this group of 27 firms had disclosed complete information on sales turnover.
3. 12 firms from this group of 20 firms had stated that the use of outside services was a factor influencing growth.
4. 10 firms from this group of 12 firms were therefore selected for the fieldwork. The remaining two firms were held in reserve in case the final response fell short of the target of six interviews.
5. 9 firms from the group of ten firms co-operated further.

The field visits were made in February and March, 1976, with the great majority of the interviews lasting for at least one hour. The interviewees were four managing directors, an executive director, a general manager and an office manager. It was found that five of the firms visited were independent firms, namely private limited companies, and four were members of either a private or public group of companies.

Summary details of the nine firms visited will be found in Table 9.1, overleaf. The following points emerge:

- a. The firms were located in Avon (4); Somerset (3); and Wiltshire (2).
- b. The number of firms in each size range was: 1 (1-25 employees); 4 (25-50 employees); 2 (50-100 employees); and 2 (100 - 200 employees).
- c. The firms had used from two to ten outside services and the majority had used at least six.
- d. The number of management areas which had been strengthened as a result of using outside services were: one area (1 firm); two areas (6 firms); three areas (1 firm); and all six areas (1 firm). The two most frequently specified management areas were Financial Management and Administration (6 firms) and Receiving Information and Advice helpful in running the business (6 firms). The other management areas specified were General Management and Organisation (3 firms); Personnel Management, Development and Training (3 firms); Production Management and Control (3 firms); and Marketing and Sales (1 firm).

Table 9.1 : Summary Details of the Nine Firms Visited

Firm No.	Location	Size	STATUS		TYPES OF OUTSIDE SERVICE USED										Solicitor	Suppliers: Advice and Consultancy	Professional Institutes	Government Departments	PFITB	Clearing Banks
			Independent Company	Group Member	No.	Management Consultants	Technical Consultants	Recruitment Consultants	FIRA	BPIF	Practising Accountants									
75	Avon	25-50	•		6	•					•							•		
38	Somerset	25-50	•		9		•					•			•			•		
42	Somerset	50-100	•		10		•		•		•			•				•		
14	Somerset	25-50	•		2						•							•		
140	Wiltshire	1-25	•		8		•			•	•			•		•		•		
149	Wiltshire	100-200		•	7				•		•			•				•		
78	Avon	50-100		•	3					•				•						
8	Avon	25-50		•	7				•		•			•		•		•		
56	Avon	100-200		•	6				•						•			•		
Totals:		9	5	4	58	1	3	4	3	8	5	2	6	2	3	8		1		

MANAGEMENT			AREAS STRENGTHENED					FACTORS CONTRIBUTING TO AN INCREASED SALES TURNOVER										SALES TURNOVER	
Other Financial Organizations	Employment Bureau	Computer Bureau	No.	General Management and Organization	Financial Management and Administration	Personnel Management, Development and Training	Marketing and Sales	Production Management and Control	Receiving Information and Advice, etc.	No.	Industry-wide Increase in Demand	Increased Production Facilities, etc.	More Intensive Selling, etc.	Entry into New Markets	Acquisition and/or Merger	Greater Competitive-ness, etc.	Others:	Latest Sales Turnover: £	Cumulative Percentage Increase
	•	•	2	•	•	•	•	•	•	1							1:Inflation	287,369	19.58(B)
•	•		All	•	•	•	•	•	•	3	1	1	1			1		169,000	30.00(A)
	•	•	2	•	•				•	4	4	1	2	4		3		459,000	34.60(B)
			3	•		•			•	2	1	1		2				142,998	71.93(B)
	•	•	2	•	•				•	4	4	3	1			4	Starting 2: a Book Publishing Company	124,000	77.14(B)
•	•		2	•				•		3	2	3				1		3,750,000	25.00(c)
			2	•	•			•		4	4	3	1			2		753,039	53.73(B)
•	•		1						•	4	4	2	3		1	4		240,725	87.07(B)
		•	2	•	•	•				3	2	1				1		1,800,000	100.00(B)
3	5	4	3	6	3	3	1	3	6		3	7	6	2	1	7	2		
										Ranked 1		3	4		1	3	1:Inflation		
										2	2	1	1	1	1	1	1:Starting Publishing Co.		
										3		3	1			1			
										4	1			1		2			

Table 9.1 : Summary Details of the Nine Firms Visited

- e. The turnover range of the group of firms was £124,000 - £3,750,000. The majority of the firms had an annual sales turnover of less than £800,000.
- f. The range for the cumulative percentage increase in sales turnover over the period reviewed was 20-100 per cent. Four of the firms belonged to the group of six firms which had achieved the highest rate of growth, namely 70-170 per cent. cumulative increase.
- g. 8 firms had stated that the use of outside services had been one of several factors influencing growth, while the remaining firm indicated that the influence had been positive.
- h. The most frequently specified factors contributing to an increase in sales turnover were Increased Production Facilities (7 firms) and Greater Competitiveness (7 firms). The other factors were specified as follows: More Intensive Selling (6 firms); Industry-wide Increase in Demand (3 firms); Entry into New Markets (2 firms); Others (2 firms); and Merger (1 firm). The factors which were most frequently ranked 'first' were: More Intensive Selling (3 firms); Increased Production Facilities (2 firms); Greater Competitiveness (2 firms); Other - Inflation (1 firm); and Merger (1 firm).
- i. The printing work undertaken by the group of nine firms included jobbing, periodicals, magazines, books, newspapers (local), foreign language printing, posters, die stamping and book-binding.
- j. The majority of the firms visited used both letterpress and lithography.

DETAILS OF THE OUTSIDE SERVICES USED

The following eight sections are devoted to the presentation of the data on the outside services used by the group of nine firms. A summary of the different types used and the frequency of use appears in Illustration 9.1, overleaf.

Illustration 9.1 : Outside Services Used by the Group of Firms Visited

8	BPIF
8	PPITB
6	ADVICE/CONSULTANCY FROM THE SUPPLIERS OF PRODUCTION EQUIPMENT
6	EMPLOYMENT BUREAUX
5	PRACTISING ACCOUNTANTS
4	RECRUITMENT CONSULTANTS
3	COMPUTER BUREAUX
3	GOVERNMENT DEPARTMENTS
3	PIRA
3	TECHNICAL CONSULTANTS
2	CLEARING BANKS
2	OTHER FINANCIAL ORGANISATIONS
2	PROFESSIONAL INSTITUTES
2	SOLICITORS
1	MANAGEMENT CONSULTANTS

1. Consultants

Only one firm (75)* had had any direct contact with a management consultancy firm in the period reviewed. This took the form of a three-day survey of the financial and administration area of management conducted by two consultants from one of the large accountancy-based firms of management consultants. The respondent remarked that although a very thorough report was produced it did not include any original recommendations. No action was taken although it was considered that the report contained some useful general advice on management accounting procedures. Another firm (149) invited a large management consultancy firm to undertake a survey of production operations a short time before the field visit, and the respondent commented:

- "We did invite to come and have a look at our operations and subsequently someone came for a couple of days, asked a few questions, and then wrote a survey report. Regarding their reputation and experience, I was convinced that they just did not know enough about a firm like ours. Suggestions that incentive schemes can increase productivity by x and at the same time allow us to reduce the labour force by y are absolutely ridiculous, especially when we know that our operations are presently very efficient in the technical field. We are now sorry that they were allowed to come in, because, like other management consultants, they keep pestering us to give them business. We will not use their services or those provided by any other management consultancy firm."

* The figure in brackets denotes the number of a particular firm according to the original listings for the mailing of the questionnaires. These numbers will be used whenever referring to a particular firm in the text.

Three firms (38, 42, 140) had employed technical consultants on at least one occasion to assist production staff with the solving of printing and binding production problems (to do with paper, ink drying, adhesives) and also to advise on the acquisition and/or modification of specialised production machinery.

Recruitment consultants had been used by four firms, and in the case of one firm they were used solely for the purpose of recruiting sales representatives (8); managerial and sales staff (42); managerial staff (56); and for an executive manager (149). Two of these firms (8, 149) had recruited successfully but the latter considered that the services were expensive in respect of the amount of work done. Only one firm (8) used recruitment consultants whenever a vacancy arose.

2. Printing Industries Research Association

One firm (42) was in

membership with PIRA and two firms (140, 149) obtained services from the research association whenever there was a need. The three firms all obtained the following types of service from PIRA:

- a. Receiving relevant research findings.
- b. Assistance with the solving of technical and/or technological problems of printing processes and operations.
- c. Use of laboratory and/or research facilities.

One respondent (42) expressed complete satisfaction with the services obtained from PIRA. Another (140) commented that the annual subscription that would have been payable by his firm - approximately £200 - was too high for a small firm and also that it would be beneficial if similar services could be obtained more locally, i.e., from a

nearby printing school. The remaining respondent (149) stressed that disputes between individual firms in PIRA membership involving the presentation of impartial PIRA reports were often unresolved when the research association failed to make a final decision in favour of one party or the other. It was thought that these occurrences were detrimental to both parties in a dispute and caused unnecessary aggravation.

3. British Printing Industries Federation

Eight out of the nine

firms visited were in membership with the BPIF. The types of contact which these firms had had with the BPIF are summarised in Table 9.2, overleaf. From the table it can be seen that all the firms had received trade information, etc. and had also made specific requests for information and advice. Seven firms had sent executives and managers on relevant courses run by the BPIF. Five firms mentioned that their executives and managers attended Alliance meetings and functions, that the technical advisory service had been used and that arbitration facilities had been requested. Four firms had received consultancy in the management accounting sphere and also participated in the inter-firm comparison scheme. Only two firms had recently used the computer services offered by the BPIF. However, one of these had just transferred to a computer bureau.

Moving on to the subject of the benefits received as a result of BPIF membership, all the firms specified a more effective handling of labour matters, because firstly the negotiations of national agreements eliminated the need to start from scratch and to a certain extent countervailed the strong position of the unions, and secondly

Table: 9.2 : Contact Maintained with the BPIF

Firm No.	TYPES OF CONTACT										Others
	Receiving Trade information and recommendations, etc.	Requesting information and advice	Executives and Managers attending BPIF courses, etc.	Executives and Managers attending Association/Alliance meetings and functions.	Executives and Managers serving on Association/Alliance committees and/or Standing Committees	Technical Advisory Service	Consultancy in Management Accounting	Computer Service	Participation in Management Ratios Scheme	Arbitration facilities	Staff enrolled on correspondence courses
8	•	•	•	•	•	•	•	•	•		Credit assessments
14	•	•	•	•	•					•	•
38	•	•	•	•	•	•	•				
42	•	•	•	•	•	•	•	•	•	•	Annual week-long visit from a BPIF management accountant to check operation of the costing system
75	•	•	•	•	•		•	•		•	
78	•	•	•				•		•		
140	•	•	•	•	•	•		•	•	•	
149	•	•	•	•	•	•				•	•

Notes: (a) See Appendix 3.2 question 18; this includes a description of some of the above services.
 (b) The respondent from Firm No. 75 mentioned that he had served on local Alliance committees more than three years ago, and that such activities were now thought to be too time-consuming.
 (c) Eight out of the nine firms visited were in membership with the BPIF.

advice was freely available in such areas as the unionisation of administrative staff and on the resolution of (minor) local disagreements between management and union members. The respondents mentioned other benefits, namely:

- a. Maintaining close contact with other member firms (14,42).
- b. "The BPIF is a form of brotherhood and it is comforting to know that it exists and that services can be obtained whenever there is a need (14)."*
- c. Services such as the inter-firm comparison scheme provided yardsticks against which the performance of the business could be assessed (14, 140).
- d. Information received from the technical advisory service, e.g., on suppliers of production equipment and materials, reduced the time expended on buying activities (14, 140).
- e. Access to professional advice on management accounting, costing and/or estimating procedures (38, 75, 149).
- f. The elimination of excessive price-cutting within the membership (75).
- g. Keeping abreast with developments in the industry and also with external factors having a bearing on the industry (all respondents).
- h. Receiving expert advice on the interpretation of new legislation (all respondents).

Only one firm (38) was a member of another association or employers' federation, namely the Newspaper Society, and the respondent remarked that this organisation had given some very good advice on insurance matters.

* This respondent, a managing director, was closely involved with Alliance affairs. His firm specialised in book printing and undertaking print work for universities, colleges and learned societies: there was no direct competition from nearby printing firms. The following comment was made: "If a fire destroyed my factory today I could rely on fellow members of the BPIF located nearby to maintain much of the present production activities."

4. Practicing Accountants and Solicitors

Five firms specified

that services had been obtained which were additional to normal auditing services: Table 9.3 includes the relevant details.

Certain benefits were mentioned:

- a. "If the financial management advice and accounting services had not been received, firstly the firm would not have survived and secondly the firm would not have achieved any growth at all (42)."
- b. "The accountants have always given the directors advice whenever it was needed (75)."
- c. "The accountant has been very helpful with the selection and training of accounting staff and also by giving general financial advice (140)."

Two firms (38, 56) had obtained legal services over and above those considered normal. In the case of one firm the legal services were described as confidential, and in the case of the other a firm of solicitors was employed when it was clear that the group legal department did not possess the necessary expertise.

5. Advice/Consultancy from the Suppliers of Production Equipment

Six firms (8, 38, 42, 78, 140, 149) had received advice from this source, covering areas such as installation, after-installation and familiarisation, operator training, technical problem solving and servicing. All the respondents expressed satisfaction with the availability and effectiveness of the services received, especially in the case of German equipment manufacturers and suppliers. However, one respondent discussed an exceptional case of the supply of some foreign manufactured computerised phototypesetting equipment, whereby the faults could not be

Table 9.3 : Services obtained from a practising accountant which were additional to normal auditing services

Firm No.	A C C O U N T I N G S E R V I C E S									
	Financial planning including the financial techniques of profit planning, cash flow forecasting and investment evaluation	Advice on new sources of finance	Preparing an application for additional finance	Calculating financial ratios	Advice on management accounting and budgetary control systems	Advice on costing and estimating techniques	Advising on acquisition and/or merger. Undertaking business appraisals and/or company valuation	Financial counselling, i.e., discussing general financial problems with an accountant	Preparing monthly management accounts	Estate administration and personal taxation services for directors
42	•	•	•				•	•	•	•
56										•
75	•	•	•		•		•	•		•
78										•
140			•		•			•		•

rectified by the manufacturer's agent. The respondent's firm, a BPIF member, considered that it would have been in a stronger bargaining position if the BPIF had used its collective power and influence to tackle the manufacturer concerned and thus pave the way towards a rapid solution to the problem.

6. Professional Institutes and Government Departments

Regarding the

former just two firms (38, 42) specified any contact. The institute concerned was the BIM: some managers were individual members and occasionally attended BIM courses. There had been limited contact with government departments apart from three respondents (8, 56, 140) commenting that the Department of Employment had been found helpful in connection with labour recruitment and requests for information. One of these respondents (140) remarked that some very useful advice on management accounting procedures had been given by a field adviser from CoSIRA.

7. Printing and Publishing Industry Training Board

The assistance

received and services obtained from the Printing and Publishing Industry Training Board (PPITB) by eight of the firms visited have been outlined in Table 9.4, overleaf. Several comments were made on the subject of the usefulness of the PPITB and also about benefits received:

- a. "The existence of the PPITB ensures that training activities are carried on: otherwise the industry would revert to the position where limited training was done outside the craft field (8)."
- b. "We pay £500 a year for a nil return. In a small printing firm there is a limit to what can be done and the drawing up of elaborate job descriptions results in a lot of unnecessary training (14)."

Table 9.4 : Types of assistance received and services obtained from the PPITB

Firm No.	ASSISTANCE AND SERVICES					Other:
	Information	General advice on devising training schemes for executive, management, administration, technical, craft and operative personnel	Membership of an ITB training group	Personnel attending ITB recommended/organised training courses	Advice and assistance with the selection and recruitment of managerial, administrative or technical personnel	
8	•	•	•	•	•	
14	•	•	•		•	
38	•	•	•		•	• A complete appraisal of the firm's organisational structure
42	•	•	•		•	
56	•	•	•		•	
75	•					
140	•	•	•		•	
149	•	•	•		•	• Devising management training and development schemes

Note: Firm No.8 had applied for an exception certificate and Firm No.42 had already obtained one.

- c. "The organisational survey carried out by the PPITB and the subsequent re-structuring of the firm's organisation was a positive factor influencing the successful development of the firm as a whole (38)."
 - d. "The PPITB represents another form of government bureaucracy that has caused complications in the past and a lot of time-wasting. We receive periodic visits from people trying to justify their existence (42)."
 - e. "The PPITB training officers have been very helpful by presenting us with a fresh approach to the training activities carried out by the group training staff (56)."
 - f. "They are a complete waste of time (75)."
 - g. One respondent complained about the amount of time wasted in completing forms and going over these with a training officer, the paternalism of the PPITB and the fact that a lot of training schemes were not really relevant to the production operations carried on inside a small printing firm (140).
 - h. Another respondent thought that the services provided by the PPITB were instrumental in making the organisational structure of the firm more workable and also in obtaining a clearer definition of management responsibilities. Elsewhere the firm had used PPITB services successfully in the field of management development. For example the PPITB had been adept in identifying a potential manager's weak areas and subsequently devising suitable training courses (149).
8. Financial Services, Employment and Computer Bureaux Two firms (8, 38) specified that services had been obtained from financial organisations. The types of organisation included in the questionnaire

were clearing banks (excluding normal banking services) and others such as ICFC and merchant banks. In the case of both firms management consultancy was not included in the services received, i.e., general financial advice on the acquisition of new machinery was the area mentioned. One respondent (38) mentioned that a bank manager had given useful advice on a wide variety of financial topics and also that the bank prepared the firm's payroll therefore making it unnecessary to employ a payroll clerk.

Employment bureaux were used to recruit secretarial staff (five firms), temporary secretarial staff (one firm), non-technical staff such as van drivers and warehouse staff (three firms) and technical staff (one firm). In the case of the latter firm (38) an employment bureau was used to recruit technical staff from other parts of the country because the rural location of the firm hampered recruitment. Three firms (42, 75, 140) obtained services from a computer bureau in such areas as the weekly analysis of stock holdings, work-in-progress and production costs. One of these firms (42) also used a computer bureau to produce monthly management accounts.

DETAILS OF THE MANAGEMENT AREAS STRENGTHENED
AS A RESULT OF USING OUTSIDE SERVICES

These are summarised in Table 9.5 and Illustration 9.2.

The various management areas will now be looked at in more detail.

1. General Management and Organisation

From Table 9.6 it can be seen that the three firms mentioning this area all specified more effective company organisation and management structure, including a clearer definition of management responsibilities. Two of these firms - both independent companies - also mentioned improved company planning and development, clearer corporate objectives, more effective company policy and executive counselling.

Firm 149 attributed the strengthening to the agencies of the PPITB. The managing director of Firm 14 said that as a result of attending a series of BPIF seminars he decided to departmentalise the firm. This resulted in things being done more on initiative in his absence and without too much reference to him when he was there. In the case of Firm 38, its general manager stressed that the four areas strengthened were directly attributable to the successful implementation of recommendations on organisational reconstruction made by the PPITB in a survey undertaken in 1974.

2. Financial Management and Administration

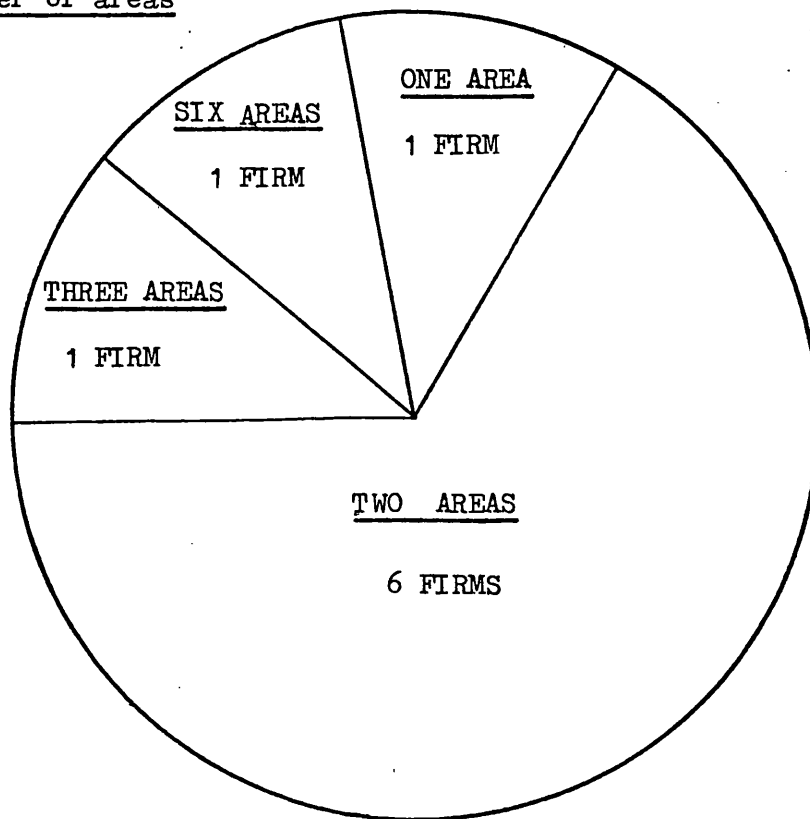
Details of the six firms which had obtained a strengthening in this area will be found in Table 9.7. From the table it can be seen that five firms indicated financial planning, the introduction of management accounting systems and the generation of management

Table 9.5 : The Management Areas Strengthened

Management Area Strengthened	Firm No.	Total
General Management and Organisation	14, 38, 149	3
Financial Management and Administration	38, 42, 56, 75, 78, 140	6
Personnel Management, Development and Training	14, 38, 56	3
Marketing and Sales	38	1
Production Management and Control	38, 78, 149	3
Receiving Information and Advice helpful in running the business	8, 14, 38, 42, 75, 140	6

Illustration 9.2 ; Management Areas Strengthened - group of firms visited

Number of areas



Management areas

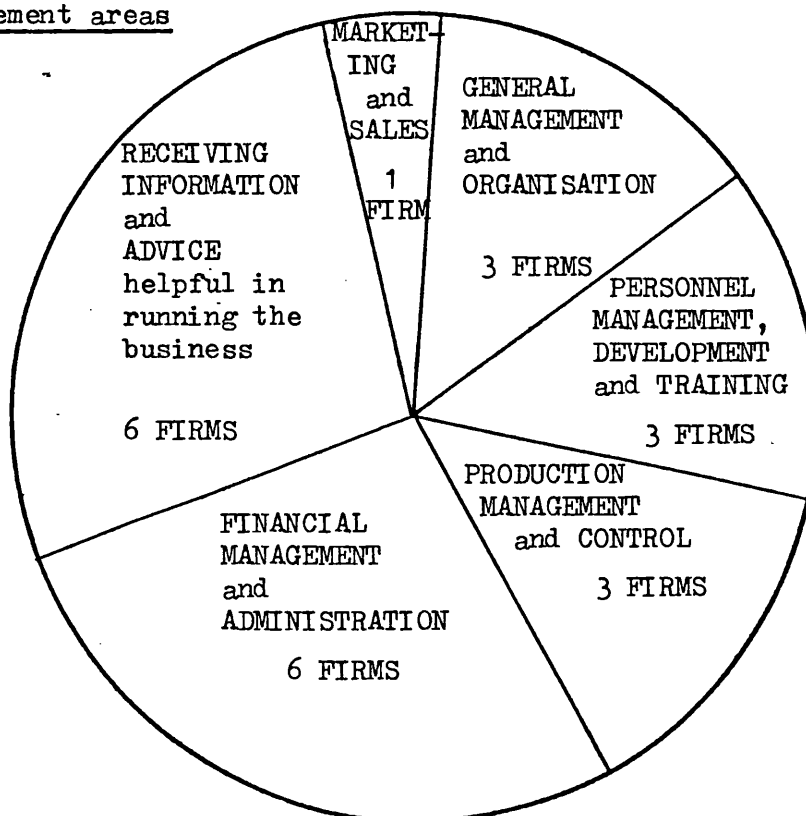


Table 9.6 : General Management and Organisation Areas Strengthened

Firm No.	AREAS OF GENERAL MANAGEMENT AND ORGANISATION SPECIFIED						
	Improved company planning and development	Clearer corporate objectives and more effective company policy	More effective company organisation and management structure, including a clearer definition of management responsibilities	Executive counselling: general management advice received by the managing director and other senior personnel	Advice received on the problems of management succession	Advice received on diversification, acquisition, merger or business appraisals	Rationalisation of print accounts held
14	•	•	•	•		•	
38	•	•	•	•			
149			•				

Table 9.7 : Financial Management and Administration Areas Strengthened

Firm No.	AREAS OF FINANCIAL MANAGEMENT AND ADMINISTRATION SPECIFIED							
	Financial, profit and capital investment planning	Assistance with preparing your case when applying for outside finance	The calculation of financial ratios	The introduction of management accounting and budgetary control systems and/or improved costing procedures	Organisation and methods, work measurement and improved clerical procedures	Office equipment evaluation and selection	Rapid generation of management and financial information	Provision of temporary staff
38	•	•	•	•	•		•	•
42	•	•	•	•			•	
56				•		•		•
75	•	•		•			•	
78	•			•			•	
140	•	•	•				•	

and financial information. Four firms mentioned receiving assistance with the preparation of applications for outside finance; three firms the calculation of financial ratios; two firms the provision of temporary staff; and one firm O&M and office equipment evaluation and selection.

3. Personnel Management, Development and Training

Table 9.8 includes the details of the three firms which had obtained a strengthening in this area. All three specified job evaluation and description; two industrial relations policy and training needs analysis; and one management development and clerical staff training and recruitment.

4. Marketing and Sales

The firm that had obtained a strengthening in this area specified market research and sales forecasting, sales organisation and control, and sales training.

5. Production Management and Control

Table 9.9 contains details of three firms which had obtained a strengthening in this area. The development of new production facilities was mentioned by all three. Two firms (38, 78) specified the following areas: selection of plant and equipment, quality control, materials waste control, and planned and preventive maintenance. The general manager of Firm 38 said that on being appointed to his position in 1970 the firm's buildings were a bit run down and old printing machinery was used. After receiving technical advice from a German manufacturer of printing machinery, and after buying new machinery from this source, the firm was able to produce its local weekly newspaper in half the time previously taken. In addition the firm managed to increase the paper's size from 16 to 20 pages and also reduce the production

Table 9.8 : Personnel Management, Development and Training Areas Strengthened

Firm No.	AREAS OF PERSONNEL MANAGEMENT, DEVELOPMENT AND TRAINING SPECIFIED						
	Executive director and/or Management training and development schemes	Executive director and/or management selection	Clerical staff training and recruitment	Introduction of wages and incentive schemes for production and clerical staff	Job evaluation and description	Industrial relations policy	Training needs analysis
14	•				•	•	•
38					•	•	•
56			•		•		

Table 9.9 : Production Management and Control Areas Strengthened

Firm No.	AREAS OF PRODUCTION MANAGEMENT AND CONTROL SPECIFIED										Using outside research facilities to solve production problems, e.g., FIRA, nearby university or printing school
	Layouts for production departments	Selection of plant and equipment	Materials handling and storage	Product design and value analysis	Work Study	Quality Control	Materials waste control	Planned and preventive maintenance	Distribution and transport	Developing new production facilities	
38	•	•			•	•	•	•		•	
78		•	•			•	•	•		•	
149										•	•

labourforce by four persons.

6. Receiving Information and Advice helpful in running
the business

All six firms specifying this area had received the following types of information and advice: technical and technological, economic and financial, and the interpretation of new legislation.

DETAILS OF THE FACTORS WHICH CONTRIBUTED TO AN INCREASE
IN SALES TURNOVER

These are summarised in Illustration 9.3. The comments made by the respondents are set out below.

1. The end of a cyclic boom occurring in the industry mid-1971 to mid-1975 and the change from a sellers' to a buyers' market (Firms 56 and 78). The executive director of Firm 56 said that since May 1975 the turnover of his firm had first declined, levelled out and at the time of the field visit - March 1976 - it was said to be static.*

2. The importance of using modern production equipment (14, 38, 42, 78, 149).

The managing director of Firm 14 indicated that the use of more modern and compact printing machinery and ancilliary equipment obviated the need to extend his factory premises. The founder and managing director of Firm 42 stressed the importance of increasing efficiency such as selling and producing more on the existing staff level, or if possible with less.

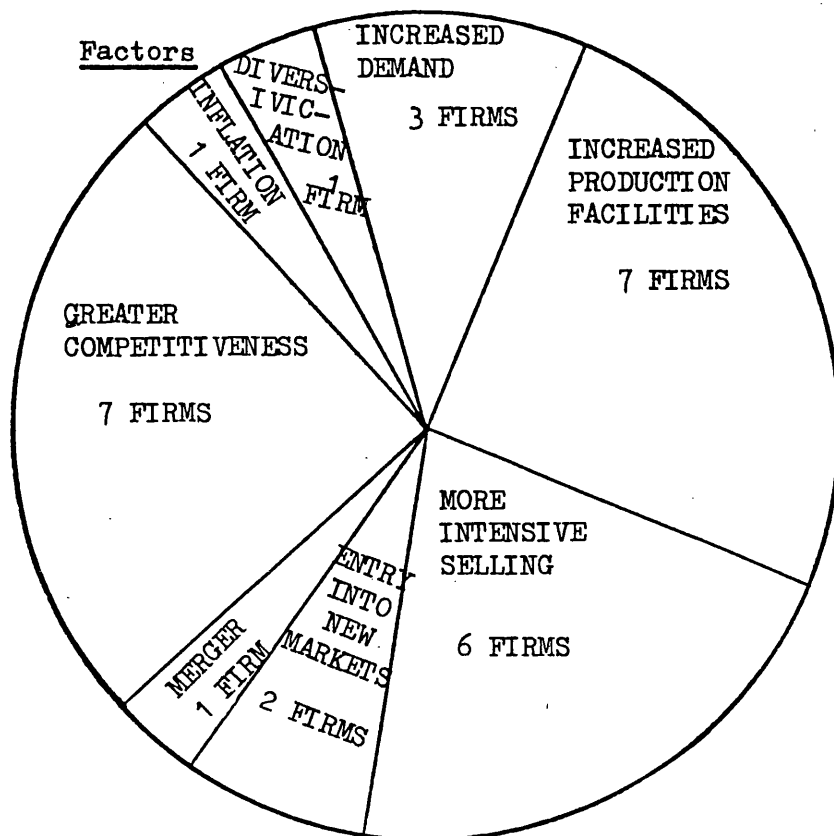
3. Specialising in the production of certain kinds of product, e.g., books, periodicals, journals (14, 78, 140, 149). The founder and managing director of Firm 140 mentioned that because he did not wish to remain a jobbing printer he had diversified into publishing by offering a personal and high quality service to a limited number of accounts. Accordingly there were about thirty accounts for which books were produced in quantities of 500 to 10,000 copies.

* The same respondent stated also that he knew of some paper converting firms which had experienced a drop in sales turnover by as much as 60 per cent over a period of less than twelve months.

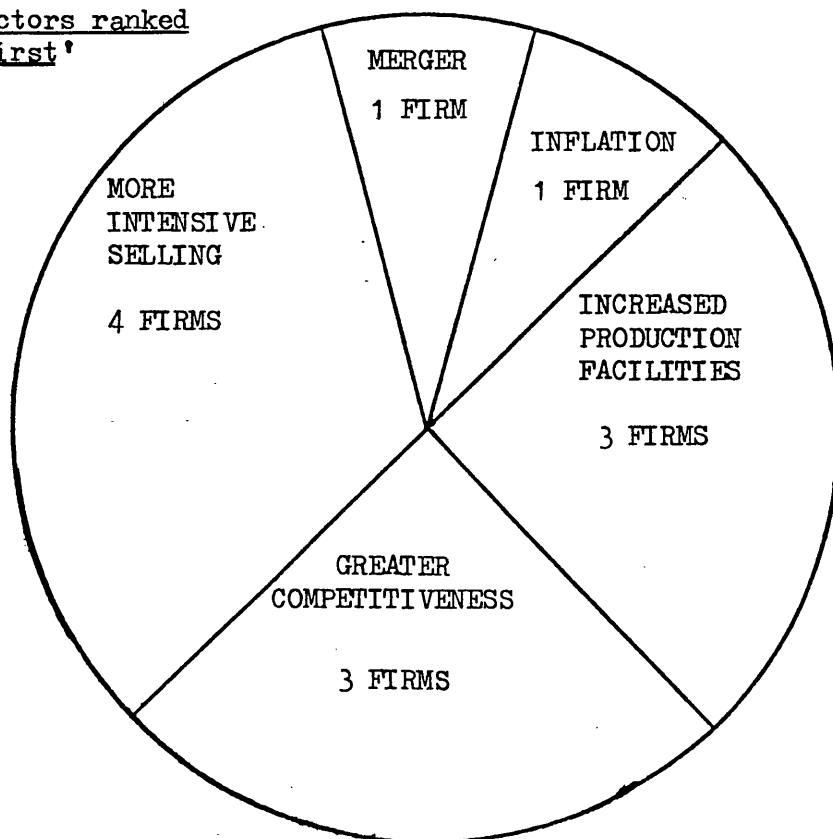
4. The respondent from Firm 8 commented that the expected benefits from a merger with another printing firm were taking longer to appear than originally thought.

5. Inflation in the form of increased print prices caused a reduction of orders received by Firm 75, with this leading to an intensified selling effort to replace the lost work.

Illustration 9.3 : Factors Contributing to an Increased Sales Turnover - group of firms visited



Factors ranked 'first'



COMMENTARY ON THE INFLUENCE OF OUTSIDE SERVICES
ON GROWTH

As mentioned before eight of the firms visited had stated that the use of outside services had been one of several factors influencing growth, with the remaining firm claiming that this influence had been positive.

The respondents were asked if they had any comments to make on the subject. Two made none (8, 14) and seven did, with the comments made by the latter being set out below.

The general manager of Firm 38 repeated that the influence had been positive and that all the management areas specified in the questionnaire had been strengthened as a result of using outside services. He then went on to describe the recent history of the firm and this is presented below.

(i) The firm was established in 1860 and it traded as a closed private company, with all its seven shareholders coming from one family.

(ii) The firm's general manager had been born in the village where the firm was located and before retiring he had been a detective chief inspector with Interpol in Africa. In 1969 he joined the firm at the request of its managing director, with the two men being life-long friends.

(iii) The general manager had no previous business management experience.

(iv) The plight of the firm in 1969 was described in the following way:

- the business premises were a little run down and old printing machinery was used
- a stationery shop operated by the firm was losing money- mainly through existing buying policies and ineffective stock control
- the content and circulation of a local newspaper produced by the firm needed developing
- a nearby warehouse owned by the firm was costly to operate
- many of the firm's personnel were long-serving and it was considered that an injection of new blood was needed
- the firm had received limited financial advice in the past and financial control hinged on the receipt of audited accounts several months after the end of a particular financial year.

(v) The managing director died of a coronary in 1970 and subsequently the respondent was appointed general manager with full responsibility for the running of the business.

This was therefore the situation facing the general manager when he took over the day-to-day management of the business and before the outside services specified had been used.

The managing director of Firm 42 mentioned the importance of receiving sound advice on financial and accountancy matters and also the range and depth of some services obtainable from the BPIF. The executive director of Firm 56 singled out the effectiveness of the

training advisory services provided by the PPITB, and a director of Firm 75 thought that the continued survival of the small firm was dependent on a lot of financial advice being obtained.

In the case of Firm 78 the managing director viewed the influence as being limited because of the strengths of the existing management team. In contrast the managing director of Firm 140 remarked that when he established the business in 1968 he had no knowledge of printing and no previous business experience. Therefore in the years which followed outside services were used whenever they were needed. Financial advisory services obtained from a chartered accountant and the BPIF were singled out as being especially helpful.

The remaining firm (149) had used outside services whenever there was a requirement. However as the firm had followed a course of planned growth certain management services such as management accounting and work study were automatically provided on an internal basis. The growth of this firm is interesting because it was established in 1967 to enter the book, magazine and periodical printing field by using the most up-to-date printing machinery and ancilliary equipment. The resulting production efficiency made the firm cost competitive because costs were a claimed twenty-five per cent. lower than those incurred by the older-established firms in the field. Therefore a lot of print work was acquired at the expense of these firms and the physical expansion of production facilities occurred as a result of an increasing demand for services. This production efficiency was said to be the main factor influencing an increase in sales turnover from zero in 1967 to approximately £4m. p.a. in 1975.

PROBLEMS ENCOUNTERED WITH USING OUTSIDE SERVICES

Four firms had not encountered any problems and five firms had faced few problems. Details of the types of problem faced will be found in Table 9.10.

FUTURE REQUIREMENTS

One firm (149) expected to use less outside services in the future because there was an adequate internal provision of management services, e.g., accountancy, work study. Also the same firm intended to resign its membership of the BPIF on the grounds that the services offered were more appropriate to the needs of smaller firms. Lastly it hoped that an exemption certificate would be obtained soon from the PPITB, but the training advisors from the same body would still be involved with management development schemes. Five firms (8, 14, 56, 75, 78) considered that future requirements would be about the same: three of these firms had an internal provision of management services. Of the other two, one (14) indicated that the existing close contact with the BPIF would be maintained and that other services would be used if there was a need. The remaining three firms (38, 42, 140) expected to use more outside services. The managing director of one of these firms (42) made the following comment:

- "We will use more and more each successive year as government interference and legislation increases."

Summary details of the firms' future requirements will be found in Table 9.11.

Table 9.10 : Details of the Problems Encountered when Using Outside Services

Firm	Outside Service concerned	Problem Area
42	Computer Bureau	General dissatisfaction with BPIF costing service: switched to outside bureau
75	Computer Bureau	Administration: occasional problems concerned with form filling for BPIF costing service.
78	Inter-firm Comparison Scheme	Information: output of BPIF management ratios scheme could not be reconciled with firm's operations. Present reliance on internally produced figures.
140	Arbitration Facility Computer Bureau Productivity Scheme	BPIF services did not prove to be very helpful. Administration: excessive form filling for BPIF sales ledger analysis service - use discontinued; similarly for costing service - switched to outside bureau. BPIF service caused discontentment among staff: replaced by simple profit sharing scheme.
149	Advice and Consultancy from a Supplier of Production Equipment	Production: failure of supplier to rectify some faults on computer typesetting equipment.

Table 9.11 : Future Requirements for Outside Services

Firm No.	Future Requirements			AREAS: if more outside services are to be used	COMMENT
	LESS	ABOUT THE SAME	MORE		
8		•			Internal provision of management services plus availability at group level
14		•			
38			•	Financial Management and Accountancy	
42			•	All Management Areas	
56		•			Internal provision of management services plus availability at group level
75		•			
78		•			Internal provision of management services plus availability at group level
140			•	Production Management and Control. Personnel Management, Development and Training. Information.	
149	•				Internal provision of management services plus availability at group level

LESS : 1 firm

ABOUT THE SAME : 5 firms

MORE : 3 firms

GENERAL COMMENTS ON OUTSIDE SERVICES

Table 9.12 summarises a number of general comments made on the use of outside services. The comments made are set out below.

- a. Four respondents considered that in general small firms were sufficiently aware of the different types of outside service currently available. The respondent from Firm 56 commented:

"Made aware: yes! Taking notice: no!"

- b. Eight respondents thought that in general small firms should make better use of available outside services. Two of these respondents (75, 140) believed that the extent of the use really depended on how many weaknesses there were in the management of a particular small firm; another (78) said it was essential for the user to clearly understand what benefits will result, especially in the case of such services as management consultancy; and lastly, one respondent (149) felt that many small firms mistakenly believed that outside services were expensive with the result being that too little use was made of them.

- c. Eight respondents thought that small and medium-sized printing firms should make better use of existing outside services, especially the well publicised services offered by the BPIF. One respondent made the following comment:

- "A lot of small firms in the industry needing outside help just do not want to know. When they do - say because of financial problems such as liquidity - it is often too late. It is no use calling in management consultants when the firm is nearly bankrupt."

- d. Six respondents considered that the printing and allied trades was adequately provided with outside services. One respondent (14) thought that if BPIF members wanted a certain service and if this service was not provided centrally, then the necessary pressure would be exerted by members in the regions until the services were made available. Three respondents thought that there was a shortfall, namely:
- The provision of 'package' accountancy services by the BPIF for very small printing firms (75).
 - Technical consultancy services similar to those offered by PIRA but on a more local basis (140).
 - More comprehensive technical consultancy services (149).
- e. None of the firms had faced any problems to do with the identification and selection of suitable providers of outside services.
- f. Two firms had used outside services not listed in the questionnaire, namely advertising and public relations agencies for the promotion of printing services. After receiving the postal questionnaire Firm 14 had been visited by a Barclays Business Advisory Service Manager. During the course of a four-day visit the firm's accounting systems were approved and this opportunity for the bank to familiarise itself with the firm's operations enabled the firm to subsequently negotiate increased loan facilities.

Table 9.12 : General Commentary on Outside Services

AWARENESS		
In general, are small firms sufficiently aware of the different types of outside service currently available?		
Aware	: 4	(14, 56, 75, 149)
Unaware	: 2	(38, 78)
Don't know	: 3	(8, 42, 140)
BETTER USE		
In general, should small firms make better use of these services?		
Yes	: 8	
Don't Know	: 1	(8)
In general, should small and medium-sized printing firms make better use of outside services?		
Yes	: 8	
Don't know	: 1	(75)
SHORTFALL		
Do you think that there is a shortfall in the provision of outside services to small and medium-sized firms operating in the printing and allied trades?		
Yes	: 3	(75, 140, 149)
No	: 6	(8, 14, 38, 42, 56, 78)
SELECTION		
Were any problems faced in the following areas?		
	<u>Yes</u>	<u>No</u>
: Finding out if a certain type of outside service was available:	-	9
: Selecting a suitable provider:	-	9
OTHERS USED		
Were any outside services used which were not specified in the questionnaire?		
Yes	: 2	(42, 78)
No	: 7	

OUTSIDE DIRECTORS

The respondents were asked if a non-executive director had been appointed to act in an advisory capacity. The answers given have been set out in Table 9.13 and from this table it can be seen that seven firms had not made such an appointment. Of these seven, four were group members and three were independent companies which had not yet examined the possibility.

The founder and managing director of Firm 140 mentioned that there was an informal equivalent, namely a friend who was a director of a large printing and publishing group giving general advice on running a small printing and publishing business. Accordingly a lot of very helpful advice had been received, especially in the production and marketing fields.

Therefore Firm 42 was the only one to appoint an outside director and this had been done quite some time ago. It was mentioned in an earlier section that the advice given by the firm's financial director had been an important factor in the survival and development of this printing business.

ACHIEVING GROWTH WITHOUT USING OUTSIDE SERVICES

The respondents were asked if they considered that the same amount of growth would have been achieved if the outside services which they specified had not been used. Table 9.14 summarises the opinions which were given.

The four group members maintained that the same amount would have been achieved, chiefly because of internal provision of management services (56, 78, 149), group plans for expansion (8, 56) or planning specifically for growth (149).

Table 9.13 : Appointment of Outside Directors

Appointment Made	Function and Qualifications of Non-executive Director	Reason for not making the Appointment	
		Firm belongs to a Group of Companies	Possibility not Examined
YES: 1 (42)	Financial Adviser: Chartered Accountant.		
INFORMALLY: 1 (140)	General Adviser: Director of a large publishing and printing group.		
NO : 7 (75, 38, 14) (149, 78, 8, 56)		• • • •	• • •

Table 9.14 : Achieving Growth without Using Outside Services

Firm No.	OPINION			STATUS		COMMENTS
	Yes	No	Don't Know	Member of Group	Independent Firm	
8	•			•		The firm merged with another printing firm in the period reviewed
56	•			•		Internal availability of management services
78	•			•		Internal availability of management services
149	•			•		Planned growth and internal availability of management services
14		•			•	Use facilitated tackling problems before they grew too big
38		•			•	Use was a positive influence on growth
42		•			•	Impracticable to provide some services internally.
140		•			•	Bankruptcy would have occurred if services had not been used
75			•		•	Growth was thought to be a matter of luck in many cases

In contrast four independent firms - private limited companies - thought that the same amount of growth would not have been achieved. The remaining independent viewed growth as a matter luck in many cases.

LIMIT TO GROWTH

Each respondent was asked if there was a considered limit to growth and if this was so what size in terms of numbers employed and/or annual sales turnover was it represented by. The answers given are summarised in Table 9.15, with the salient points being:

- Limit Defined : 7 firms
- Limit Undefined : 1 firm
- Limit Unrecognised : 1 firm

The seven firms which defined a limit are grouped below:

- Limit Reached : 3 firms
- Limit Not Reached : 4 firms

The three firms which had reached the limit of their growth in terms of numbers employed were as follows:

- (i) Firm 42. The limit was 65 persons with the firm hoping to increase sales turnover on this staff level, or if at all possible with slightly less. The main reasons for not seeking further growth were related to the present hostile environment for the small firm, e.g., legislative and fiscal constraints.

(ii) Firm 56. The firm expected to increase turnover from £1.8m. to £3m. with the present lower staff level of 88 persons, and the highest turnover thought attainable in the firm's market was £5m. It was unlikely that the higher figure would be pursued because the current policy of the group was one of reducing the 'headcount' not increasing it.

(iii) Firm 149. The limit in terms of numbers employed had been reached with the present number of 200 persons. The reasons for the firm not going beyond this limit were the influence of labour groups, the difficulties of earning a satisfactory return on investment, problems of management control and the economic recession existing at that time.

The group this firm belonged to was a fully integrated printing concern and it was looking at the possibility of reducing the size of its production units to about 50 persons per unit. It was expected that units of this size would be more successful in the future regarding effective management control and the level of investment return earned. Firm 149 consisted of a typesetting division employing 50 persons and a printing division employing 150 persons. Elsewhere in the group there was a binding division and a laminating division which between them employed about 270 persons.

Table 9.15 : Limit to Growth

Firm No.	STATUS		LIMIT TO GROWTH			QUANTIFICATION			SUMMARY OF COMMENTS
	Member of Group	Independent Firm	Defined	Undefined	Unrecognised	Number of employees	Sales Turnover: £'000s.		
42	•	•	•			65	65	459	If possible the number employed would be reduced.
56	•		•			88	88	1,800	3,000
149	•		•			200	200	3,750	Maximum sales turnover attainable with additional staff was thought to be £5m. Limit had been reached in terms of numbers employed. In order to increase manageability the firm was looking into the possibility of reducing the size of production divisions in terms of numbers employed, i.e., divisions employing about 50 persons were expected to be more successful in the future.
14	•	•	•			33	50	143	Possibility that management succession would trigger a change in this limit
75	•	•	•			37	287	500	Problems of financing a turnover in excess of £0.5m.
78	•	•	•			75	100	753	Employing more than 100 persons would dictate the formation of a middle-management layer: this was not wanted.
140	•	•	•			22		124	Growth would be stopped short of the point dictating the formation of a middle-management layer.
8	•		•			50		241	Short-term: further integration of productive facilities. Long-term: expansion thought to be limited by the difficulty of obtaining a satisfactory return-on-investment.
38	•	•		•		57		169	Short-term: family politics was proving to be a limiting factor. Long-term: no limit envisaged.

Details of the four firms which had not reached the limit of their growth will be found below.

- (i) Firm 14. The limit was expected to be 50 persons (present 33 persons). The managing director of this firm hoped that he could move into an advisory position in about ten years: this would be after his son had completed a training course at the London School of Printing. Therefore as a result of this management succession it is possible that the expected limit will be changed, especially if the son formulated more ambitious plans for expansion. In the immediate future the firm intended to integrate production by establishing a computer-based typesetting function as its typesetting was presently done by a trade typesetter.
- (ii) Firm 75. In the case of this firm the limit was expected to be a sales turnover of £0.5m. (present £0.3m.). Problems were foreseen about obtaining adequate finance for expansion beyond this point.
- (iii) Firm 78. The limit was set at 100 persons (present 75 persons), primarily because the managing director did not wish to see the formation of a middle-management layer and the associated loss of personal control. There were two other factors which discouraged further growth, namely earning a satisfactory return-on-investment and high labour costs in the industry.
- (iv) Firm 140. The founder and managing director of this firm mentioned a self-imposed limit, i.e., a point just short of that which dictates the employment of middle-managers. The respondent wished to maintain personal management control and a fluid organisational structure.

The firm with an undefined limit (8) was apparently integrating production facilities in the short-term, namely expanding the binding department and establishing a finishing department. Beyond this it was considered that the difficulty of earning a satisfactory return on investment would most likely restrict any major expansion. However the respondent did not know in detail what intentions the group management had for expansion.

Finally in the case of Firm 38 the limit was unrecognised as the firm's general manager had not yet thought about the prospect of there being a long-term limit to growth. However the short-term appeared to be a different matter as he remarked that family politics was proving to be a restraint, chiefly because of some difficulties in contacting the chairman - located in South Wales - and the other directors - located in various parts of the South West - for the sanctioning of important decisions which needed to be taken without any delay.

COMMENTARY ON THE FUTURE PROSPECTS FOR THE SMALL AND MEDIUM-SIZED PRINTING FIRM

The respondents were asked to comment in general terms on the future of the small and medium-sized firm operating in the printing and allied trades. Six respondents did so and the comments made have been arranged under the following headings.

(i) Characteristics of the Successful Small Firm

The executive director of Firm 56 suggested that the future for the small firm will be bright if they are well-managed, offer a very

personal service to market interstices, and if the entrepreneurs are brave and display confidence in the face of economic adversity.

The founder and managing director of Firm 42 thought that if the small firm in the industry was to survive it was necessary to pursue a course of expansion, as a static position often reflected that the firm was really in decline. A director of Firm 75 viewed survival and subsequent growth as being dependent on the depth of financial advice sought and obtained.

(ii) Advantages of Smallness

The managing director of Firm 14 discussed this topic in the following terms:

- "The employees know that their future is tied to the success of the firm. For example if a national overtime ban is imposed by the unions it is possible that our staff will ignore it. Also it has been known for local representatives of the unions to turn a blind eye to cases where union members defy such a ban, especially when it is apparent that industrial action will lead to a small firm's ruin."

The managing director of another firm (78) commented that it was becoming clear that a printing division or unit employing about 50 persons represented a manageable and an economically viable proposition. However, this did not signal a new lease of life for the smaller firm as it was more than likely that units of this size will be controlled to an increasing extent by large groups with access to capital for investment in printing plant which was becoming more expensive each successive year. Similarly a director of Firm 149 considered that smaller production units employing

about 50 persons will be more successful in the future in terms of effective management control and the earning of a satisfactory return on investment.

- "The high cost of new machinery poses immediate problems about earning a satisfactory return, and also with regard to establishing a new business. In printing it might be possible to set-up with low overheads by acquiring equipment about four years old - and at less cost - from those firms of all sizes which have failed (78)."

iii) Disadvantages of Large Firms

- "When a firm is taken over by this group the board of directors is replaced by an executive director reporting to the group board. Thus the whole thing is now impersonal, perhaps too much so. Some of the large printing groups which have followed similar policies in the past are now finding out that the whole thing is becoming unmanageable. Therefore this policy is being changed in some large groups by splitting the group into smaller units and retaining the identities of firms recently taken over (56)."
- "New equipment does not necessarily bring instant success and cost-price competitiveness. In fact I know of one firm employing the most modern printing equipment that went bust recently mainly because overhead recovery rates were in the region of £400 per hour when print buyers in the market

would only pay prices based on a rate of about £350 per hour. Therefore new equipment may set selling prices which are too high for the market to bear, and certainly higher than those charged by the well-established smaller printing firm using older and lower-value equipment (78)."

- "If in the past we had limited growth to a size where production divisions employed no more than 50 persons, then the return on investment would have been higher than the present level (149)."

(iv) General Comments

- "The future is not rosy for the small firm because this Government is just not interested. Small firms are not bailed-out like a number of large ones have been. Anyway why become an entrepreneur when large chunks of an estate eventually end up in Government hands (78)."
- "The writing is on the wall for small firms in this country and abroad because of the increasing influence of left-wing politics (42)."
- "Business is not as much fun as it was five or six years ago as survival has become all-important. Therefore a much harder approach has to be taken on all matters, e.g., we can no longer afford to do things for nothing like printing for the local church (14)."
- "Why is it that we often face a capital investment situation similar to the one existing at present where industry needs to invest, the right type of equipment is available at the right price, but banks will not supply the necessary finance because they will

not believe that things will not get worse (78)."

- "Regarding the acceptance of advice on export selling we in printing have been traditionally insular. But as the best printing equipment is manufactured in other EEC countries, Germany in particular, how can we expect to compete on equal terms when we pay more for the same equipment (78)."

* * * * *

SUMMARY OF RESULTS AND CONCLUSIONS - PRINTING INDUSTRY SURVEY

It was mentioned before that the response to the PRINTING INDUSTRY SURVEY totalled 61 printing firms, and of these 11 were designated as Non-users of outside services and 50 as Users, with the latter being sub-divided into 16 Miscellaneous Users, 17 Uninfluenced Users and 17 Influenced Users. A summary of the results, and the various conclusions drawn from the analysis of the data relating to these different groups of printing firms, and also from the fieldwork on the Influenced Users, will be presented in this chapter.

Regarding the NON - USERS, it was found that there was a link between small scale printing operations and the fact that outside services had not been used.* On the whole the non-users had a limited scale of operation in terms of numbers employed, printing activities and technology used, and also outside services had not been needed. As for a possible reason for this link, it is thought very likely that these firms were too small to have the management problems which may give rise to the need to use outside services of one kind or another.+ To illustrate, apart from one exception the firms were very small private limited companies, partnerships or one-man businesses and therefore operations would be under the personal management control of one man in most instances. Bearing in mind scale, it is quite possible that the limit to this personal management control had not yet been reached.

* See Chapter 8, Section 8.1 and also Appendix 8.1 for details of the Non-users.

+ On the other hand there may have been unrecognised management problems, or an unwillingness to tackle those which were known to exist, or perhaps the problems were in their formative stages. As it was not the researcher's intention to look closely at the reasons for non-use, research could be carried out on non-users, or even on small firms which had used very few outside services.

Of the eight non-users which could be assessed relative to the study's measure of growth, only two were thought to have achieved any growth. However, it was not known whether the others may have deliberately limited growth, in terms of increasing sales turnover, as was the case with one of the one-man businesses that described its turnover as static with there being no intention of expanding. The other six firms were thought to be declining in terms of turnover increase relative to inflation.

Concerning the factors which had contributed to an increase in sales turnover, it was found that the most important was marketing activities in the form of more intensive selling activities and the acquisition of new print accounts, and entry into new markets. This is not all that surprising when one considers that the small firm sector in the printing and allied trades is very competitive, and that there is still a fairly easy entry into the sector.

From the overall analysis of the USERS it was found that the majority had used between one and three of the seventeen different outside services specified in the postal questionnaire, and that the great majority had used between one and five. Apart from services obtained from the BPIF, suppliers, etc., the PPITB and employment bureaux, the other types had been used by few of the firms. The fact that the BPIF and advice or consultancy from suppliers were the two most frequently used outside services seems to reflect (i) that approximately two-thirds of the firms in the industry are BPIF members, and also that there is a comprehensive range of services provided by this organisation; and (ii) with suppliers, the technical nature of printing and the industrial

The breakdown of the 50 users into the three sub-groups* revealed that the MISCELLANEOUS USERS as a group had used few of the outside services specified, apart from the services provided by the BPIF and advice and consultancy from the suppliers of production equipment, etc. A likely reason for this may well have been that the majority were very small firms with perhaps a limited need. Moreover, the bigger firms in this group - 25 to 100 employees - tended to use slightly more outside services.

The majority of the miscellaneous users had just one management area strengthened as a result of using outside services, and most of these were very small firms. The management area mentioned by the great majority was receiving information and advice helpful in running the business, with the majority of these being very small firms. It is considered that this again reflects that the BPIF was the most commonly used outside service and that this organisation provides comprehensive information and advisory services for its members. Moreover, nearly all the firms obtaining services from the BPIF had indicated that this particular management area had been strengthened as a result. Lastly, the other management areas had been strengthened in just a few of the firms.

The most important factor contributing to an increase in sales turnover was found to be increased production facilities, etc., in respect of both frequency and ranking. The next most important factor was marketing activities, namely, more intensive selling, etc., and entry into new markets. However, it should be borne in mind that very few miscellaneous users supported their statements with actual figures. Therefore, the evidence was inconclusive on the use of outside services influencing growth, chiefly because data on sales turnover was not divulged.

* See Appendix 8.2 : Miscellaneous, Uninfluenced and Influenced Users.

Moving on to the UNINFLUENCED USERS, it was found that on the whole this group of printing firms had used very few outside services apart from advice or consultancy from suppliers, etc., services from the BPIF and employment bureaux. Similar to the non-user and miscellaneous user groups, the majority were very small firms (in terms of turnover as well as employees) and accordingly it is thought that this may have been the main reason for limited use, i.e., outside services were not needed because operations were on a limited scale. Indeed just less than half of the uninfluenced users gave specific reasons for their limited use, e.g., other outside services had not been needed or the use had not been considered. The bigger firms - 25 to 200 employees - used slightly less outside services. Some of these mentioned why few were used, and the reasons given were the same as those specified by the very small firms in this group. Again it is not known why these reasons were given, but it is considered likely in the case of the biggest that there was an adequate internal provision of management services, therefore making it unnecessary to use other outside services.

The great majority of the uninfluenced users had either none or just one management area strengthened as a result of using outside services. It is considered that this situation simply reflects that the group as a whole had used few outside services. The management area that was strengthened most often - in about half of the firms, with practically all of these being very small - was receiving information and advice helpful in running the business. This finding ties up with the fact that services from the BPIF and advice or consultancy from suppliers, etc., were the two outside services most frequently used by the group. Apart from the financial management and administration area - strengthened in about a quarter of the firms - the other management areas were strengthened in very few firms.

The very great majority of the uninfluenced users were either declining or static according to the growth measure employed.

Therefore, it was thought that very few firms in this group had achieved any growth. The very great majority mentioned up to three factors contributing to an increase in sales turnover. The factors which were mentioned most often were more intensive selling, increased production facilities and greater competitiveness. However, marketing activities in respect of more intensive selling and entry into new markets was the most important in the case of the group as a whole and also with the two firms from this group which had achieved growth.

The INFLUENCED USERS were mostly bigger firms, i.e., medium-sized printing firms undertaking both jobbing and more specialised printing work, and using more complicated technology. Compared with the other groups, the influenced users used much more and a wider variety of outside services.* Therefore, there appears to be a connection between operations run on a larger scale and the need to use more outside services.

It appears that because far more outside services had been used by the influenced users, the firms in the group had obtained a strengthening in more management areas, i.e., the very great majority had obtained a strengthening in two to six management areas, the majority in three to six, and a little under a quarter in all six. Moreover, the great majority had obtained a strengthening in the financial management and

* See Appendices 10.1 and 10.2 for details of the outside services used by the group of Influenced Users.

administration area, and apart from the marketing and sales area - which was strengthened in only a few cases - the other management areas had been strengthened in a majority of the firms.

The majority of the influenced users were thought to be either declining or static according to the growth measure. However, a little over one-third did achieve growth. The very great majority had mentioned up to four factors which had contributed to an increased sales turnover. The factors mentioned most often were more intensive selling, greater competitiveness, and increased production facilities. The most important factor, though, was marketing activities, namely more intensive selling and entry into new markets, in the case of the group as a whole and also with the six firms which had achieved growth.

When the three different groups of users were COMPARED,* it was found that the miscellaneous and uninfluenced users consisted mainly of very small printing firms, and that the influenced users were mostly medium-sized firms. Also, the influenced users had used much more and a wider variety of outside services than did the other two user groups. The outside services which had been used mostly by the three groups were those provided by the BPIF and advice or consultancy from suppliers, etc. The influenced users had additionally obtained services from the PPITB,⁺ practising accountants, PIRA, other

* See Appendix 8.2, Illustration A : Group Comparison.

+ Because most of the firms were obliged to undertake statutory training.

financial organisations and technical consultants.

In the case of both the miscellaneous users and uninfluenced users, it was found that mainly either none or just one management area had been strengthened as a result of using outside services. With the influenced users more management areas had been strengthened, namely 2 to 6 areas in the very great majority of these firms. The management area which had been strengthened mostly in the miscellaneous and uninfluenced groups of printing firms was that of receiving information and general advice considered helpful in running the business. The great majority of the influenced users specified the financial management and administration area; and the majority information and advice, etc., general management and organisation, personnel management, development and training, and production management and control.

Few firms had achieved growth in respect of the measure employed and the majority so doing were influenced users. The majority were therefore thought to be either declining or static in terms of turnover increase relative to inflation.

However, it is not known if in general the firms were able to pass on all cost increases to their customers, perhaps because of the competition faced from other firms. Moreover, it was mentioned by one of the firms visited that print buyers had not been prepared to pay prices which incorporated all cost increases, and accordingly it was vital to improve operating efficiency to facilitate the recovery of overheads and the making of a reasonable profit. Further, it was thought that inflation as a factor contributing to an increased turnover was not as important to the

firms replying to the postal questionnaire as would have been expected. If, therefore, there was a tendency not to pass on to the customer all cost increases, then obviously the performance of the firms overall would have been better than the analysis showed.

In the majority of cases it was also not known if the firms had reached the limit of their growth, or were perhaps attempting to increase profitability on their present level of activities, or slightly below, by cutting out unprofitable work, i.e., consolidating on existing levels of activity, or perhaps even contracting a little.

The principal factors contributing to a turnover increase were found to be firstly marketing activities, secondly increased production facilities, and thirdly greater competitiveness. However, marketing activities was the most important for the firms which had divulged turnover figures.

Before moving on to the fieldwork on influenced users, the notable characteristics of the four different groups comprising the response to the postal questionnaire will be summarised. These are therefore set out below :

- NON - USERS : virtually all were very small firms not needing outside services and very few achieved growth.

- MISCELLANEOUS USERS : were mainly very small firms using few outside services and having either none or just one management area strengthened from this use.
- UNINFLUENCED USERS : were mainly very small firms using few outside services, having either none or just one management area strengthened from this use, and very few achieved growth.
- INFLUENCED USERS : were mainly medium-sized firms using much more and a wider variety of outside services, having more management areas strengthened from this use, with more achieving growth.

Regarding the FIELDWORK ON INFLUENCED USERS,* the nine printing firms had obtained services mainly from the BPIF, PPITB, suppliers, employment bureaux, practising accountants and recruitment consultants. The other outside services listed in the postal questionnaire had been used by few of the firms. Looking more closely at their use of outside services, the majority had obtained outside assistance to help solve production problems, with the sources being technical consultants, PIRA and suppliers of production equipment. Eight firms were members of the BPIF, and the most frequent forms of contact with this organisation were receiving trade information and recommendations; requesting information and advice; attending BPIF courses; membership activities; using the technical advisory service;

* See Chapter 9 : Fieldwork on Influenced Users.

using arbitration facilities; obtaining consultancy in management accounting; and participating in the management ratios scheme. The majority had also obtained additional services outside of the auditing field from their accountants. The great majority had only obtained services from the PPITB which were in line with the requirements for statutory training. The firms were equally divided on favourable and unfavourable comments about the services provided by this body.

The majority of the nine influenced users visited had (a) obtained a strengthening in two management areas; (b) obtained a strengthening in the financial management and administration area; and (c) received information and advice which was thought to be helpful in running the business. Viewing the different management areas separately, the area of general management and organisation was strengthened in two independent firms and in one group member.* With the former the strengthening related to a formalisation of management, or a necessary organisational reconstruction; and with the latter specialised services had been obtained from the PPITB in the form of devising and running management development programmes in advance of the internal promotion of certain staff. Practically all the firms which had obtained a strengthening in the financial management and administration area specified the adoption of financial planning techniques and the installation of management accounting systems to produce management and financial information rapidly. Additionally, the independent firms had received assistance with the preparation of applications for outside finance. The strengthening of the personnel management, development and training area was in most instances related simply to carrying on statutory training; and with the area of production management and control it amounted chiefly to assistance received with the

* It was mentioned before that the nine influenced users visited consisted of five independent firms and four group members.

development of new production facilities. Lastly, apart from one exception, the firms which had received information and advice helpful in running the business specified (i) technical, technological, economic and financial information; and (ii) help with the interpretation of new legislation.

Practically all the influenced users visited specified marketing activities in the form of more intensive selling and entry into new markets as a factor contributing to an increased sales turnover; most specified increased production facilities and greater competitiveness; and a majority specified more intensive selling. The factor that was ranked most important most frequently was, however, more intensive selling. With the five independent firms the most important factor was increased production facilities, with this most likely reflecting the straightforward physical expansion of the smaller unit. The group members mentioned two factors, namely, more intensive selling and greater competitiveness, with this indicating that the bigger firms needed to strive for more efficiency in both these areas in order to successfully meet competition.

As a result of comparing the five independent firms and the four group members, it was found that the biggest firms were group members, and that the independents had used more and a wider variety of outside services. The types of outside service which had been used only by the independents were management consultants, professional institutes and clearing banks; more by the independents were the BPIF, PPITB and computer bureaux; less by the independents were recruitment consultants, government departments and other financial organisations; most by the independents were the BPIF, PPITB, technical consultants, practising accountants, suppliers, employment and computer bureaux; and most by the group members were recruitment consultants, BPIF, suppliers and the PPITB. The independents had obtained a strengthening in more management areas as a result

of using outside services, with the areas strengthened most frequently being receiving information and advice, etc., and financial management and administration. In the case of the group members the areas were financial management and administration, and production management and control. Lastly, with the independents the most important factors contributing to an increased sales turnover were firstly increased production facilities, secondly more intensive selling, and thirdly greater competitiveness. With the group members these factors were greater competitiveness, more intensive selling, industry-wide increase in demand, and increased production facilities.

Four of the nine firms visited had achieved growth against the measure used, and two were independent and two were group members, with the latter achieving more growth. However, the use of outside services had influenced the growth of the independent firms more than was the case with the group members.

The main characteristics of the independent firms and the group members were therefore found to be as follows :

- The independent firms consisted mainly of smaller firms using more and a wider variety of outside services, obtaining a strengthening in more management areas as a result of this use, and achieving slightly less growth.
- The group members were mainly bigger firms using less outside services, obtaining a strengthening in fewer management areas, and achieving a little more growth.

Turning to the general topics included in the questionnaire, most of the firms had defined a limit to their growth, either in terms of numbers employed or sales turnover. Of these firms, three had reached the limit and four had not. Apart from one exception, the firms which had indicated that their growth was to be limited mentioned a size where 100 persons or less would be employed. However, the exception did mention that a restructuring of its production divisions into units employing about 50 persons was being considered in an effort to improve both profitability and manageability. Various reasons were given for wanting to limit growth, i.e., maintaining personal management control, group policy, the hostile environment presently facing the small firm, problems of obtaining the necessary finance for expansion, and the difficulty of earning an adequate return on investment. However, maintaining personal management control was the reason given most often.

The group members maintained that the same amount of growth would have been achieved if the outside services had not been used. The chief reasons put forward in support were the availability of management services on an internal basis and/or group planning for growth. On the other hand, all but one of the independent firms claimed that the same amount of growth would not have been achieved. Different reasons were put forward in each case, but they all concerned the necessity to tackle and solve management problems as and when they occurred.

The nine firms had faced either none or just a few problems connected with their use of outside services, and most of those which did occur were in the independent firms and they related to the formalisation of management in the financial management and administration area, i.e., to do with the production of management and accounting information. Regarding their future requirements for outside services, the majority thought that about the same amount of outside services would be used in the

future. However, the three independent firms which stated that more would be needed consisted of two which were managed by individuals having no previous business experience, and one that considered that this need was influenced by the present hostile environment of the small firm brought about mainly by increasing government interference, especially in the form of more and more legislation. The firm which expected to use less was a group member, and as mentioned before there was a perfectly adequate internal provision of management services.

Virtually all the firms considered that small firms - including small and medium-sized printing firms - should in general make better use of available outside services where and when appropriate. The majority thought that small and medium-sized firms were adequately provided with outside services, and none had faced problems about identifying and selecting suitable providers of outside services.

Finally in the cases where the appointment of an outside non-executive director was relevant - i.e. with the independent firms - only one firm had made a formal appointment. This firm was the biggest independent firm and a financial director had been appointed. Another firm considered that it had the informal equivalent advising in the marketing and sales area. The remaining firms had not yet considered making such an appointment.

* * * * *

CHAPTER 11

MAIN CONCLUSIONS

In the concluding chapter the various conclusions drawn from the Printing Industry Survey will be discussed in more general terms, together with the highlighting of the main conclusions.

Although few of the printing firms had achieved growth against the measure employed, most of those which did claimed that the use of outside services was a factor influencing growth. The comparison of the different user groups revealed that the Influenced Users were mainly medium-sized printing firms, that they had used much more and a wider variety of outside services, and that more management areas had been strengthened as a result. From the fieldwork on Influenced Users it was seen that the growth of the independent firms had been influenced more by the use of outside services than was the case with the group members. The main reason for this was that the latter, being bigger firms, had management services available either internally or at group level, or from both sources.*

Therefore, the central finding of the Printing Industry Survey that the use of outside services can be a factor influencing the growth of a small business firm apparently requires some qualification, as the study's hypothesis did not apply all that much to very small printing firms, and also to firms which were group members with either an internal provision of management services or access to the same at group level.+ Further, it is

* The particular management services mentioned by the respondents were financial and management accounting, work study, personnel and training, legal, business planning and corporate planning.

+ A further qualification is that the findings relate obviously to the particular type of sample, to the measure of growth applied, to the period reviewed, and to the conditions and economic trends existing in the printing industry in this period. As was seen in Chapter 7, there was an indication that most of the industry was fairly buoyant in terms of sales over the four-year period 1970-1973, with a levelling off occurring in most sectors in 1974.

now possible to refine the hypothesis to 'the use of outside services can be a factor influencing the growth of smaller independent printing firms, namely medium-sized firms and firms which may be approaching this size'.

The main findings of the Printing Industry Survey can therefore be summarised by stating that two relationships were established, namely the relationship between growth and the use of outside services, and the relationship between size and the use of outside services. Concerning the former, there has been some difficulty in comparing and contrasting this finding with research carried out elsewhere, chiefly because to the researcher's knowledge a similar study on the relationship between the growth of the small firm and the use of outside services has not been made before (or the results published), certainly in the printing and allied trades where, in the researcher's opinion, such a comparison would have been most relevant.* Therefore, if the refined

* In the past some researchers have attempted to quantify the contribution made by consultants. For example, Johnston assessed 211 consultancy assignments and he found that the average job lasted for twelve consultant months, yielded net savings of about £14,000, gave a net return on fees of about 200 per cent, and achieved a productivity increase of over 50 per cent.

See : Johnston, J. (1963). The productivity of management consultants. Journal of the Royal Statistical Society, Vol. 126, Pt. 2, 1963.

In his study of small firms using management consultants, Sammut attempted to quantify the effect of using them. Examples from the few cases where it was possible are a doubling of turnover over a three-year period following an assignment, and an increased profit of £10,000 in the year following an assignment. Sammut's sample consisted of 16 firms (15 small firms and one large firm) which had commissioned a total of 28 consultancy assignments. Examples were management structure, management accounting systems, selection and recruitment, marketing/sales/distribution, and work study.

See : Sammut, N. J. (1970). A study of management consultants and the small firm. M.Sc. dissertation, University of Bath.

hypothesis were to be tested to verify the findings of the Printing Industry Survey, it is suggested that the sample consist of printing firms in the size range 20 - 100 employees, as it now appears that independent firms in this size range are more likely to be in a greater need of outside services than very small firms, or firms in this size range which belong to a group of companies. However, because there are so many very small firms in the industry, it will be necessary to draw the sample from a bigger area of the country. Alternatively, research could be carried out in a different industry, for instance engineering. However, experience gained from the Printing Industry Survey suggests that very small firms should be excluded from the sample.

The relationship between size and the use of outside services, i.e., the use of outside services did not apply all that much to very small printing firms, is a likely explanation for the claim made by the BPIF in evidence submitted to the Bolton Committee⁽¹⁾ that in the past small firms - meaning those in the size range 1 - 25 employees - have not used available services in proportion to their numbers in membership. Further, it is possible that the pitching of outside services - apart from general information and advice* on, for instance, the interpretation of new legislation - to the smallest of printing firms, namely those employing

* As previously mentioned, one finding of the Printing Industry Survey was that there was a general need for information and advice helpful in running the business, especially in the case of the very small printing firm. Moreover, as would have been expected the independent firms visited had a greater need regarding the interpretation of new legislation and advice on labour matters. Apparently such advice was freely available from the BPIF.

less than fifteen persons and/or with a turnover of less than £100,000 p.a., may well be a waste of resources in many cases*, especially bearing in mind that any other advice or services will probably be needed in the financial management and administration area, and that the particular level needed can almost certainly be obtained from or through an accountant.

Golby & Johns⁽²⁾ in their survey of 69 small firms consisting of 59 in the 1 - 50 employees range and 10 in the 50 - 200 employees range found that most of the smaller firms were neither interested in, nor aware of outside advisory services or help.⁺ The findings of the Printing Industry Survey tell a different story in reference to the fieldwork where the firms were both aware of and interested in using outside services. However, there is always some difficulty comparing two pieces of research like this, certainly as the Golby & Johns research related to a

* Although it relates to a different industry, mention will be made of some evidence given by the Economic Development Committee for the Distributive Trades in its Evidence to the Bolton Committee, March, 1970, p.i.

It was said that the very smallest traders - especially those in retailing - are unlikely to be much affected by measures designed to help smaller firms, while the larger small and medium-sized firms need and will be able to profit by special measures. The kinds of measures mentioned were voluntary groups, the expansion of trade associations' consultancy services, training facilities, guaranteed credits, investment grants and site provision.

⁺ The 69 respondents operated in manufacturing (23 firms); retail distribution (8); wholesale distribution (8); construction (7); motor trades (6); road transport (4); catering (2); miscellaneous service (11). The types of advice and assistance mentioned by the respondents were Min Tech, BOT, British Productivity Council, management consultants, industrial training, Employment Exchange, Inland Revenue, trade associations, investment grants. Respondents in the size range 50 - 100 employees numbered six; 100 - 150 employees (two) and 150 - 200 employees (two).

different time period, consisted of a multi-industry sample, and perhaps was undertaken against the background of a less hostile environment for the small firm. Indeed, one of the printing firms did say that more and more outside services would have to be used in the future if Government interference and legislation continued to increase. One other comment to be made on the Golby & Johns research is that it is not possible to ascertain how many of the firms in the 1 - 50 employees range were very small firms. If there were any, then it is possible that another factor contributing to the formation of their attitudes to outside services was that they had no real need in that operations were carried out on a limited scale.*

While discussing government-subsidised consultancy schemes, for instance the Bristol and Glasgow pilot schemes, Bates⁽³⁾ suggests that part of the explanation for the disappointingly low response to them - especially from smaller businesses - could be that a certain level of managerial sophistication is required before the owners of a business can identify the need for consultancy and advice. The findings of the Printing Industry Survey suggest that in the case of a printing firm this level of managerial sophistication will be displayed, or will have to be acquired, when the small firm starts to move into the medium-sized category.

Moving on to explain why there was a relationship between size and the use of outside services in the case of the printing firms replying to the postal questionnaire, it is thought that some of the firms may have been facing management problems associated with the early stages of growth. For instance, the independent firms visited during the course of the fieldwork had faced problems concerned with a relative formalisation of

* Hyman in his study of the process of supplying and using external aid (i.e. outside services) found that although external aids were numerous and widely used, managers did not give much thought to aid, and they were often unable to maximise the benefits obtainable. Therefore, there was a problem of communication and motivation in the field of aid. See: Hyman, S. (1970), op. cit.

management in the administration area (four firms) and in the organisation area (two firms).^{*} As well, the independent firms had obtained a more extensive strengthening - when compared with the group members - in the areas of general management and organisation; financial management and administration; personnel management, development and training; and receiving information and advice helpful in running the business. Formalisation has been discussed by others in the past, although sometimes in broader terms. Accordingly, a number of writers have viewed the growth of the firm in terms of stages, with the number of stages presented varying, but typically there are three or four, though sometimes as many as the ten outlined by Urwick.⁽⁴⁾ Starting from its formation the small firm is seen as passing through a sequence of stages such as :

- a. The initial or formative stage which takes in the entrepreneur setting up in business on the basis of an idea for manufacturing a product or providing a service.
- b. The next one or two stages usually relate to a necessary division of managerial tasks, as the entrepreneur may have reached the limit of effective management control, resulting in the need to recruit non-owner management personnel to make good any deficiencies in management resources.
- c. The succeeding stages are concerned with organisational maturity and stability. To illustrate, the firm takes on the general character of the larger firm by becoming bureaucratic and perhaps rationalised. +

In particular, Lupton ⁽⁵⁾ outlined the development cycle of

* As was mentioned before the formalisation of management in the administration area occurred also in firms U/1, U/2 and U/3. See Chapter 6.

+ The stage models of growth presented by Kroeger, Greiner, Davidson, Stanworth & Curran(2), Thomason & Mills, and Bates were described previously in Chapter 2, Section 2.2.

the new small business operating in the manufacturing sector in terms of it having four distinct phases, although these would not necessarily occur separately or follow each other in time. The first phase - the euphoric phase - covers the early stages of a business, with this being characterised by the entrepreneur's organising flair and personal charisma, the gift of a commercially sensitive 'nose' pointed roughly in the right direction, the courage to make risky decisions quickly, and the capacity to generate loyalty and confidence in colleagues and employees. It was suggested that the entrepreneur was likely to be an amateur in all, or most of the wide range of managerial activities which would have to be undertaken. However, many of the new starters would probably have enough knowledge-from-experience to get by for a while.

Assuming that the entrepreneur successfully establishes his business, the second phase in the development of the firm would be the financial - deprivation phase, whereby for most growing companies there comes a point when the owner's savings have run out, i.e., the prospects of obtaining other finance at a reasonable cost are very limited, and retained earnings are insufficient. If the entrepreneur succeeds in overcoming these financial problems his firm will then move into the third phase - the managerial-recruitment phase. This phase is marked by a need to employ people to manage his operations while new business is being sought, planning for the future is being undertaken, and attention is being paid to increasing paperwork and queries. However, the entrepreneur may not be able to define the kind of men needed, or perhaps he may be unable to pay competitive salaries to attract the right type of managerial talent. Therefore, the entrepreneur may well play safe by rewarding loyal men around him who have grown with the business by giving them greater responsibility, etc.

The fourth phase was termed the incipient-bureaucracy phase whereby there is a demand for management systems, for a defined

management structure, for specialisation, i.e., for clarifying responsibility and authority, and for careful recruitment, selection and training. However, colleagues who were promoted during the previous stage are unlikely to be, or capable of becoming qualified specialists. Also, they may resent any disturbance of the previously established pecking order that is threatened by the arrival of outside specialists.

Lupton suggested that in order for the new small business to pass successfully through each of the four development phases, the entrepreneur will need to obtain outside services of one kind or another - especially in phases two, three and four - as any managerial incapacity may well inhibit efficiency and growth. Examples of the types of outside service mentioned were ICFC for phase two, and management consultants to transfer competence in phase four regarding the introduction of management systems related to personnel procedures, production control and costing procedures.

The fact that the Influenced Users were mostly medium-sized firms using much more and a wider variety of outside services ties in with the evidence submitted by the BPIF to the Bolton Committee, that small printing firms have always had difficulty producing specialist management skills from within. The problem, therefore, of limited management capacity or resources can be tackled by using outside services of one kind or another to fill-in the deficiencies of the proprietors or managers, with the extent of this use most likely depending on the functional and managerial qualifications of the individual or persons running the business.* Accordingly, the fieldwork on influenced users

* It was mentioned in Chapter 7, Background to the Printing Industry, that the proprietors of very small printing firms usually divide time between production operations and management/administration, and if such firms do grow, their managements still maintain a close involvement with the details of production, with
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revealed that the independent printing firms had used much more and a wider variety of outside services when compared with the group members, and also the two independent firms making the most extensive use of outside services were managed by individuals possessing no knowledge of printing and no previous management experience when first managing their respective printing firms.*

It was mentioned in Chapter 2 : The Management Problems of the Small Firm, that often in the case of a small firm there are problems which reflect a lack of balance in the functional skills. Unlike the larger firm, the small firm cannot sub-divide the functional skill areas and appoint specialists. Also, the close personal control prevalent in the small firm sector often demands an all-purpose manager capable of accomplishing a wide variety of managerial tasks, i.e., a manager possessing entrepreneurial flair and some degree of expertise in all the

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the frequent result being that specialist management skills are not developed from within. It was also mentioned that the domination of craftsmanship in the industry has tended to tie firms and their managements more closely to specific technologies than might have been the case had not craftsmanship been held in such high esteem; and that much of the industry's management is not only conversant with technical and craft skills, but also has considerable practical experience in using them. Therefore, traditionally the printing manager has been a printer first and a manager second.

* The situation facing each manager was different as one was charged with the task of reconstructing a very long established family business that had declined, while the other started his business from scratch. Regarding the other three independent firms, there were weaknesses in certain management areas, namely, financial management and administration in the case of two; and general management and organisation, personnel management, development and training in the case of the other.

main management areas : production, sales, personnel and finance. Therefore, as these particular skills are rarely found in one man, there will tend to be weaknesses in some of these management areas. Further, as has been suggested by others in the past, e.g., Thomason & Mills⁽⁶⁾, it is likely that once the small firm has passed through the initial stage* of its development, there may be a need to set up a more effective administration to control what has become a going concern.

The move over from personal administration to more formalised procedures of management control may therefore be demanded as the firm passes through the transitional stage in its development from small to medium-sized business.⁺ Growth will demand organisational change, both because of outside factors, and because it requires that the pattern of management which people use should adapt to cope with increasing volume and the greater complexity of business problems. Davies and Kelly⁽⁷⁾ mentioned that this particular area may pose problems because the skills necessary to establish a firm may not be those which are needed to build and subsequently manage a more formalised

* In the case of a printing firm, it is apparent that this point will be reached when the firm starts to move into the medium-sized category.

+ Bureaucratisation need not be an automatic outcome of growth. For instance, Burns & Stalker suggested that an organic organisational form can be more appropriate to conditions of rapid change in markets and technology.

See : Burns, T. & Stalker, G. M. (1961), op.cit., 119 - 122.

organisation. As Matthews & Mayers have pointed out, this formalisation of management will most likely demand that the owner-manager outgrow his old deep-grained habit of being a jack-of-all-trades and find a new role in the firm.(8)

The need to establish an effective administration is reflected in the fact that apart from receiving general information and advice helpful in the running of a particular business, the second most frequently mentioned management area which had been strengthened in the user printing firms was that of financial management and administration, and as mentioned previously in this chapter, it is fairly common for the small firm to have weaknesses in this particular area.* The study of financial facilities for small firms by the Economists' Advisory Group⁽⁹⁾ revealed that poor quality of management and the lack of adequate financial control in small firms were regarded by all lenders as serious obstacles. As cited previously in Chapter 2, the Midland Bank⁽¹⁰⁾ viewed it remarkable that many businessmen whose businesses have expanded to a reasonable size remain ill-equipped to cope with the details of financial management.⁺ Similarly, in the evidence submitted to the Bolton Committee by the ICA it was stated that one of the commonest situations encountered by professional accountants in their capacity as consultants is that of the small firm whose expansion has resulted in its outgrowing the management skills and experience available

* As a result of accurate management information being provided, it is possible that existing management resources will be used more effectively because the attention of management will be directed to key areas of the business.

+ Woodruff and Alexander undertook a comparative study of successful and unsuccessful small manufacturing firms in the U.S.A., and they found that inadequate or misleading financial records probably caused more trouble than any other error of management.

See : Woodruff, A. M. & Alexander, T. G. (1958). Success and failure in small manufacturing. University of Pittsburg, Pa.

to it.⁽¹¹⁾ All too often it is not until a firm has got into serious difficulties that it realises its inability to continue without outside help. Therefore, before this typical and critical stage in the life of an expanding but still small business is reached, outside advisory services such as management consultancy could often be of the greatest value.

Limited management capacity or resources in the area of financial management is exemplified by a lack of basic accounting knowledge, insufficient expertise to install monthly management accounting systems and to thereafter maintain them. From the Printing Industry Survey it was seen that quite a number of firms had turned their attention to the solving of this problem, especially the independent firms visited which were known to have received assistance with applications for outside finance. Further, practically all those obtaining a strengthening in the financial management and administration area had singled out the adoption of financial planning techniques and the installation of management accounting systems.* Whenever a small firm obtains outside services of this nature, the provider is offering the individual organisation needing help what Hyman has described as a 'distillation of knowledge' accumulated from a number of other organisations.⁽¹²⁾ Therefore the use of outside services is one answer to the problem of there being no reserve of managerial manpower which can be used to both identify and offer solutions to particular problems facing a

* The independent firm that was the exception claimed that adequate expertise had always been possessed in the financial management and administration area.

small business firm.

In contrast, the large business firm may carry surplus management resources in periods of economic expansion, or prior to embarking upon a course of expansion, or as a result of setting up group management services. In the case of the latter, however, even though a wide range of management services may be available - e.g. regional computer centres, computer consulting services, group training centre, central personnel relations department, central productivity service department, group management planning unit - the large business firm may still go outside for very specialised services. For example, management consultancy firms such as Arthur Andersen could be employed on appraising world-wide accounting systems, McKinsey on distribution problems, or Urwick Orr on operational problems. The topic of surplus management resources in the large business firm, namely 'organisational slack', has been discussed by Cyert & March. (13)

From the fieldwork on the influenced users it was seen that the use of outside services can give the user firm access to certain resources either permanently, for instance when an accounting or computer bureau is used for the preparation of monthly management information, or on a temporary basis when the user seeks assistance with the solving of particular technical or production problems, e.g., using the BPIF Technical Advisory Service, services offered by PIRA.*

* Similarly, it was shown in the study of the Providers and Users that the management capacity of the small firm can be increased when, for instance, it has access to specialist management resources in areas such as management accounting and work study. This will occur when a small firm obtains services from a provider because there is insufficient work available to justify making a full-time appointment in a certain area.

It has been argued by Penrose that the capacity of the existing managerial personnel of the firm necessarily set a limit to the expansion of that firm in any given period of time.⁽¹⁴⁾ The fieldwork on the influenced users revealed that the independent printing firms had used more outside services and that nearly all of them thought that the same amount of growth would not have been achieved if these outside services had not been used. In contrast, the printing firms which were group members had used less, mainly because services were available at group level and they considered that the same amount of growth would have been achieved if the outside services had not been used. There is, therefore, some evidence to suggest that in the case of independent medium-sized printing firms, or firms bordering on this size range, managerial capacity can be increased by using outside services, and that this increase can prove to be a factor influencing growth.

One finding emerging from the fieldwork studies on the printing firms was that a size where 100 persons or less are employed represented the expected limit to growth, with the most frequently given reason for this limit being the maintenance of personal management control. This finding therefore supports the argument for adopting a 'stay small' strategy and stopping growth short of the point that Argenti⁽¹⁵⁾ has called the 'critical mass'. The latter is the point where the small firm's management begins to lose control unless a formal management system is introduced to cope with the situation where management problems multiply and the business becomes progressively more difficult to run. Additional personnel may have to be employed as part of the formalisation process, management may lose the personal touch with employees, and the firm may lose some of the advantages associated with its previous unobtrusiveness. Therefore, growth may be stopped by foregoing opportunities - as Stanworth & Curran⁽¹⁶⁾ suggest - if the associated costs in social and psychological terms appear

to be too high*, or as Carter & Williams mention, difficulties may be envisaged in connection with moving from one type of managerial structure to another, namely extending beyond the span of the owner's direct control. (17)

From the fieldwork it has been possible to quantify the nebulous 'critical mass' in respect of a printing firm, namely a size range of 50 to 100 persons employed. The main management problems singled out by the respondents were those previously mentioned and which arise once expansion has gone beyond management's direct control over the business. The recovery of high overheads resulting from the employment of very expensive printing technology also received particular mention. The biggest independent firm stressed that although the physical expansion of the business had been limited, management was still intent upon achieving growth in terms of increased turnover and profits by obtaining more efficiency in the form of better utilisation of existing resources and increased productivity. Further, three respondents made the same suggestion that a unit size of about 50 employees may fare better in the future in respect of manageability and return on investment. This topic along with the investment return problems of printing firms employing upwards of 100 persons could therefore be researched in the future.

* As noted by Penrose, if the owner-manager wishes to substitute leisure for work, then excess managerial services - which could be used up on expansion activities - can easily be withdrawn from the firm.

Penrose, E. T. (1959), op.cit., pp. 31 - 42.

An argument put forward by Stanworth & Curran based on their small firm research is that once entrepreneurs have established that they can maintain a high profit growth company they may come to redefine their entrepreneurial role in terms of what is called a 'manager' identity. This identity consists of elements such as an increased interest in management training and development, employers' organisations, using management consultants, attempting to take over other firms or merging with larger ones and even trying to go public. However, Stanworth & Curran do not point out clearly that an important factor influencing such a change is that increased management problems connected with increased size simply demand that such a change be made, with perhaps this being why the entrepreneur - or even the firm itself in the case of succeeding management generations - may move through what they call the 'artisan' and 'classical' identities into the 'manager' identity.*

* Stanworth & Curran studied nine small firms in detail over a period of about six years. The small sample consisted of five first generation entrepreneurs (three in electronics, one in printing and the other in wire products) and four second generation entrepreneurs (three in printing and one in electronics). From the study they suggested that the growth process - in its simplified form - consisted of three stages, with each stage being linked to emerging entrepreneurial identities. The 'artisan' wants to gain personal autonomy and independence with his work, to be in a position to pick the people he works with, to turn out a good product and to provide a personal service. Later the entrepreneur will face problems connected with management structure, succession, the need to employ specialists and to attain sustained profitability - this is the 'classical' identity. The 'manager' identity is when the entrepreneur wants to be seen as a first-rate manager capable of building up an enterprise which will survive into the next generation.

As Stanworth & Curran had some printing firms in their sample one or two other comments will be made. From the Printing Industry Survey it is apparent that if a new firm enters the industry in the traditional fashion it will become automatically what they term as an 'artisan' firm. The reason for this is not solely what they have argued, but more because the structure of the industry itself, the more limited printing technology to be used, markets to be serviced, etc. clearly define the operating level of this type of new entrant. If subsequently the firm wants to get moving and climb up a rung into the next size range, then it has to adopt a different approach to cope with more management problems, more complicated technology and different sectors of the print market to be serviced. Therefore, a general theory of different entrepreneurial identities emerging during or after growth does not appear to be completely sound when, for instance, growth can occur only after the identity (or approach) has first been changed. Also, it is possible that a new printing firm may possess substantial elements of all three entrepreneurial identities at the precise time it is founded, e.g., fieldwork Firm 149 which entered the industry on a much higher level in terms of numbers employed, technology used, markets serviced and sales turnover.

Sadler & Barry⁽¹⁸⁾ in their organisational study of medium-sized and large printing firms make the suggestion that the longer term survival of many small and medium-sized printing firms will be contingent on their grouping together in associations, either by merger or by less drastic methods, such as the sharing of consultancy services. In the case of the former strategy, and as Sadler & Barry do point out, the group or enlarged group so formed will obviously be more able to support the kind of specialised activities (or services) needed in areas such as marketing, personnel, purchasing, etc. However, in the case of the latter - shared consultancy services - the finding of the Printing Industry Survey in respect of the independent firms and the way in which they used outside services shows that there is an alternative way of tackling the problem. Also, this can be done without recourse

to the formation of some kind of association, co-operative or coalition - and incidentally, such an arrangement was not fully described by Sadler & Barry - which may be difficult to form against the background of the industry's level of competition. Moreover, Davidson⁽¹⁹⁾ mentioned that shared consultancy services may well fall down when problems are of an individual nature such as the formulation of corporate strategy.

A further point to be made concerns obtaining advice in the marketing field from an outside source. There are many problems related to this, chiefly because jobbing work predominates and many firms simply meet the requirements of customers, i.e., they do not create the demand for their own services like, for example, the manufacturer of games or playing cards.* Moreover, if marketing advice was to become more available it is by no means certain that it would always be there, as the provider may cross over and put into practice his own ideas. A situation such as this, but applied to the motor trade, was mentioned by one of the firms visited in connection with the study on Providers and Users, namely firm U/2.

One conclusion to emerge from the analysis of the Printing Industry Survey data was that the most important factor contributing to an increased sales turnover was judged by the respondents to be more intensive selling activities and the acquisition of new print accounts. This activity ties in with what Merrett Cyriax Associates found in their study, namely that marketing activities in the form of new products and entry into new markets was behind growth.⁺ They found that exceptional growth came from new products, entry into new markets and improved market share, with these being associated with superior management capability.⁽²⁰⁾ In the printing study it was also

* The printing industry is not one that lends itself easily to the techniques of mass production.

⁺ The sample consisted of 97 manufacturing firms (of which 23 were thought to be fast growers), 67 retail firms (8 fast growers), 26 construction firms (4 fast growers), 60 motor trade firms (16 fast growers), and 70 wholesale firms (22 fast growers). Fast growers showed more than a 90 per cent growth of turnover in the seven-year period reviewed. See Table 4.1 on p. 30 of the Merrett Cyriax Research Report.

seen that with the eight best growers (70 - 170 per cent cumulative increase in sales turnover over the three-year period studied) more intensive selling, etc., was thought to be the most important factor contributing to an increased sales turnover.

In an earlier part of this chapter the growth performance of the three different types of user printing firms was discussed, and it was stated that it was not known for certain in the great majority of cases whether or not all cost increases were passed on in prices charged to customers. The field visits revealed that there was some difficulty in doing so, with this confirming what has been said by other researchers in the past. For example, Merrett Cyriax Associates pointed out the difficulty which small firms, in a highly competitive situation with smaller market shares, have in passing on higher labour costs.

One other finding from the Printing Industry Survey was that the firms visited were equally divided on favourable and unfavourable comments on the effectiveness of the services provided by the PPITB. Comments similar to the latter kind were made by the BPIF in its evidence to the Bolton Committee, and also by respondents in the Golby & Johns survey, namely that industrial training was regarded largely as too expensive or ineffective for the smaller firm.

Finally, in his study of private companies with fewer than 500 employees operating in various sectors of engineering and hosiery and knitwear, Boswell considered that in the case of the group of firms that he categorised as 'young', advice on strategies, plans and management either may be too late because the boss's approach to management has been formed, or inappropriate in connection with the adoption of management techniques because the firm was still in the lower foothills of complexity and

size.* The relevant finding of the fieldwork - the relationship between size and the use of outside services - is consistent with the latter, although it is assumed that Boswell was referring to very small firms.+ Boswell suggested that advice on relations with the baffling world of officialdom could be useful to many businessmen in the early stages.⁽²¹⁾ However, it can be said now that helpful general advice and information may be needed beyond the early stages, especially in the case of the independent firm.

SUMMARY OF MAIN CONCLUSIONS

As a result of undertaking the Printing Industry Survey it was found that there was a relationship between size and the need to use outside services, i.e., the use of outside services did not apply all that much until the small firm had reached a certain stage in its growth, namely a point where about twenty-five persons are employed. Therefore in the case of the printing industry larger small and medium-sized firms will need to use outside services. Such firms were found to use more and a wider variety of outside services, with more management areas being strengthened as a result. Further, in the case of an independent firm outside services most likely will be needed and used until the firm has grown large enough to sustain internally any required management services and specialist management resources in areas such as personnel, accounting and work study. The small business firm therefore needs access to certain management resources, permanently in the case of obtaining some services from a computer bureau, on a temporary basis with the solving of specific technical problems, or where there is insufficient work available to justify making a full-time appointment in a particular area of functional management.

* The firms were located mainly in the East Midlands and they consisted of 44 firms in the engineering sectors and 20 firms in hosiery and knitwear.

+ Boswell did not in fact quantify in terms of numbers employed or turnover what he meant by 'lower foothills of complexity and size'.

It was also found that if a small firm is a member of a group of companies outside services may still be used, but to a lesser extent because of the availability of group management services. However, if certain services are not provided at the group level, then the firm will obtain them from an outside source, e.g., specialised management consultancy, the devising of management development programmes.

The researcher's main argument that the use of outside services can be a factor influencing the growth of small business firms has been proved in respect of the smaller independent printing firm, and to a lesser extent with the group members and motor traders. The overall pattern which has therefore emerged from the research is as follows :

- a number of management problems may occur at a particular stage in the growth of the small business firm
- there may be limited management capacity or resources available to tackle these problems, hence the need to use outside services to fill-in the deficiencies of the proprietors or managers
- the extent of use will depend upon the status of the small business firm - more will be used by independents - and the qualifications and management experience of the individual or persons running the business

- the use of outside services may increase managerial capacity and/or strengthen management

- the use of outside services can prove to be a factor influencing growth.

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A P P E N D I C E S

	page
1.1 : Types of Organisation Providing Outside Services	265
3.1 : Questionnaires Used in the Study on Providers and Users	310
3.2 : Printing Industry Survey Questionnaire	315
8.1 : Non-users	326
8.2 : Miscellaneous, Uninfluenced and Influenced Users	327
8.3 : Analysis of Sales Turnover - Users	343
8.4 : Ranking of the Factors Contributing to an Increased Sales Turnover - the 34 firms which disclosed complete information	344
8.5 : Frequency of Ranking - Factors Contributing to an Increased Sales Turnover	345
10.1 : Use of Outside Services by the Different Groups	346
10.2 : Outside Services Used by the Uninfluenced and Influenced Groups	347

CONSULTANTS

Included in this category are management consultants, recruitment consultants, technical consultants, research associations, educational establishments offering consultancy, practising accountants and solicitors, and business firms offering consultancy and advice as a part of selling products and/or services.

Management, Recruitment and Technical Consultants

Management consultants operating in the small firm sector are frequently concerned with making the best use of existing management resources. In the case of an owner-managing director, for example, all the executive authority is likely to be vested in this person and accordingly the management consultant will be interested in exploiting existing talents to the best advantage. Therefore a lot of the work tends to be educational in nature and it is often connected with accounting, office organisation and executive training.

Increasingly management consultancy is offered to small firms on a part-time basis in order to reduce costs. Therefore problem-solving services can be obtained and paid for whenever required. Also management services such as management accounting and work study - where the employment of full-time specialist is not justified - can be obtained whenever the need arises.

Some management consultants offer tailor-made specialist advisory services developed from specialising in one industry or in the smaller firm* sector, with these services being maintained to produce management information and also to offer advisory services on general management problems

* The 'smaller firm' is the collective of the small and medium-sized firm.

Management consultants will in some cases accept permanent part-time in-company appointments discharging general managerial, company secretarial, financial or export administration duties. Also, a consultant can attend directors' meetings in an advisory capacity.

It has been an ordinary occurrence for firms of management consultants to diversify their activities into recruitment consultancy, with the impetus to do so sometimes coming from a client: 'You came up with the solution, now find someone to implement it'.

It is possible also to use the recruitment consultant to handle the personnel function of recruiting management or professional staff for the smaller firm, especially bearing in mind that an unsuccessful appointment can often result in the small firm incurring costs - stemming, say, from the new recruit's ineffective decision-taking - which unlike the larger firm it cannot easily absorb. Accordingly the use of the services offered by the recruitment consultant represents a way of lessening the chances of the new recruit being unsuccessful in the position being filled. If the services which are obtained are part of a broader management consultancy assignment, the client may possibly receive advice on levels of over- or under-staffing. In some circumstances the client will be advised that for reasons of economy it would be unwise to employ a permanent member of staff, and that by employing a 'temporary' at certain times during the year when the workload is heaviest extra costs will not be incurred.

Some recruitment consultants specialise in certain fields, e.g., management recruitment for the retail motor trade, sales and marketing appointments in printing, and accountancy staff. Others operate in wider fields of industrial activity. The smaller firm client may be well-advised to retain a consultancy that specialises in a given field, i.e., one employing staff qualified in both selection and the technical field concerned.

The benefits resulting from the employment of recruitment consultants are the saving of executive time, objectivity and a more thorough selection procedure. The latter usually includes defining levels of responsibility and advice on the necessary experience, personality factors, salary level, the appeal and marketing of the recruitment package (advertising media, copy preparation and cost), interviewing and shortlisting. Another feature of the thoroughness of the selection procedure is that the consultants have access to a much broader range of sources of information on suitable candidates and their whereabouts.

Technical consultancy services are available in many different fields, sometimes being offered as a part of management consultancy in the form of specialist advisory services, or as problem-solving services for production concerns. An example of the former would be the technical services offered by the firm of management consultants that is the subject of Case Report OSF/2. In this case the technical design services offered to the motor trade included the preparation of revised layouts for existing premises, and the design of new premises including specifications for workshop equipment to be installed. Problem-solving services can be illustrated by using the example of a small printing firm receiving help to solve

production problems - for instance ink drying problems - which cannot be overcome by using existing resources, especially in cases where lab testing facilities are required.

Research Associations

There are approximately forty grant-aided research associations in Britain.⁽¹⁾ The four largest - with approximate annual incomes in the range £1m. to £2m. (circa 1971) - operate in the fields of production engineering (PERA), welding, ship, and electrical engineering. The majority of the research associations (over twenty) have an annual income in the range £0.2m. to £0.8m., with some of their operating fields being cotton, printing (PIRA), rubber and plastics, wool, shoe, hydromechanics, timber, machine tool, and industrial psychology. The smallest research associations - there are about fifteen - have an annual income in the range £20,000 to £200,000, and the operating fields of these include glass, leather, heating and ventilation, launderers, drop forging, dyers and cleaners, springs, and brushes. In addition to grants the income of the above research associations is obtained from such sources as membership subscriptions, research services offered, research contracts, and research exploitation (including technological brockage).

In addition there are about twenty non-grant-aided co-operative research associations with subscribing members: the annual incomes of these range from as little as £3,000 to £1.4m. Included in this category are organisations such as the Cement and Concrete Association, Tin Research Institute, Motor Insurance Repair Research Centre, Dyers and Cleaners Research Association, Permanent Magnet Association, and the Microsurgical Instrumentation Research Association.

The larger independent contract research organisations number

about ten, e.g., Huntingdon Research Centre (interests: pharmacology, toxicology and applied biology), International Research and Development Company (mechanical/electrical engineering and materials physics), Fulmer Organisation (physics, metallurgy, physical chemistry, polymer chemistry, plastics and films), Ricardo & Co. (engineers - internal combustion engines, compressors and gas turbines), and Cambridge Consultants (electronics, physics and systems engineering).

There are also a number of Government Laboratories and Research Centres which are involved in the sale of research services, e.g., Harwell, Computer Aided Design Centre, the National Engineering Laboratory, the National Physical Laboratory, Warren Spring Laboratory, and the Technology Reports Centre (information searches).

Lastly, the emergence during the 1960s of the Universities of technology - Bath, Essex, Loughborough, Strathclyde, for example - has stimulated the further development of facilities for contract research and industrial consultancy in the academic sector. Some have gone so far as to organise commercial bureaux to stimulate relations with industry. For example, the Centre for Industrial Innovation at the University of Strathclyde offers project management of research, development, prototype manufacture, investment appraisal, marketing and new product studies. The services have been made available as a result of combining the range of technological and business skills in the University.

It is therefore apparent that there are numerous sources of technical and technological assistance available for the small firm sector. Looking closely at one particular industry - printing - a small firm that is a member of the Printing Industries Research Association (PIRA) can benefit by (i) receiving assistance with the solving of narrower technical problems; (ii) receiving relevant

findings of long-term research projects carried out on behalf of the industry as a whole; and (iii) using laboratory and/or research facilities whenever needed.

Educational Establishments

Included in this category are academic institutions in which consultancy takes place on an individual or departmental basis. The consultancy services are usually offered to nearby industry, local government departments and government departments. Traditionally universities have had two basic tasks by which they have been judged:

- Quality and extent of their research output.
- Quality and quantity of their student output.

However, over the years since the war there has been an increasing recognition of a third criterion:

- The service that the university must give to its local community and to the nation.⁽²⁾

As a result a number of universities have offered services - advice, analysis and problem-solving capability - which in total are comprehensive, being available for a wide range of outside organisations, e.g., government departments, private companies, commercial institutions, finance houses and trade associations. Also, universities have carried out studies in foreign countries. The services offered have proved useful because the research services provided are additional to, and different from those provided by, for example, the management consultancy profession, and because the work represents a way in which the university can repay to the community at large the increasing sums which have gone into academic institutions. Accordingly a wide range of facilities are available and these are provided by organisations such as university-based companies, industrial units and small business centres.

* There is nothing completely new in this development since the great civic universities have always taken pride in providing services of this kind.

Practising Accountants

Excluding normal auditing services there are a number of accountancy and advisory services which can be obtained from this source, namely:

- Financial planning including the techniques of profit planning, cash flow forecasting and capital investment evaluation.
- Advice on new sources of finance and preparing an application for outside finance.
- Calculation of financial ratios.
- Advice on management accounting and budgetary control systems.
- Advice on costing and estimating techniques.
- Advising on acquisition and/or merger, undertaking business appraisals and/or company valuation.
- Estate administration and personal taxation services.
- Provision of temporary staff, e.g., for payroll work, book-keeping and the preparation of monthly management accounts.
- Financial counselling in the area of financial management and administration.

The small accounting firm, i.e., the sole practitioner and partnerships of two to five persons, can offer a personal service to clients, although the accountancy and advisory services tend not to be very specialised. However, such firms do have access to professional adviser services provided by organisations specialising in this field. Medium-sized accounting firms (e.g., Thornton Baker; More, Stephens; Pannell Fitzpatrick) provide comprehensive accountancy

and advisory services, and also there is a fairly easy access to partners. In addition, some of these firms employ specialists to advise in other management areas, e.g., general management and organisation; personnel management, development and training. The large accounting firms (e.g., Deloitte, Price Waterhouse, Coopers & Lybrand) are similar to the medium-sized firms in terms of the services offered, but there is a more limited access to partners because the latter are more concerned with internal administration. For instance a firm such as Price Waterhouse operates in about 75 countries and employs approximately 15,000 persons throughout the world.

Small accounting firms - which dominate the profession in terms of numbers - can supplement their own resources by consulting the larger firms on specialist matters for which they themselves are not technically equipped; by pooling resources with one or two small accounting firms located nearby (thus forming a co-operative offering a more extensive range of accountancy advisory services); or by obtaining services from the professional adviser company. The last mentioned source is also exploited by medium-sized and large firms whenever a client demands specialised services which cannot be provided by their specialist departments.

Examples of the types of service offered by the professional adviser company are overall financial and taxation advice covering tax avoidance, investment planning, portfolio administration, exchange control problems, pension planning, life assurance, employee remuneration benefits, and so on. By using such services the small accounting firm can reduce some of the pressure caused by the flood of new legislation and new developments in the field of financial services, thereby enabling the partners to concentrate on what is considered to

be the important tasks facing the practice. The professional adviser company usually employs specialists such as financial consultants, accountants, lawyers, executives from both the inspectorate of taxes and the estate duty office, financial analysts, experts in share option and share incentive schemes, and specialists in life assurance and pensions.

All these services are available to the accounting firm that wishes to extend the range of advice offered to its clients. Because remuneration is on a fee basis, the advice - it is claimed - is objective as there are no commission considerations in the balance and products are recommended based solely on their suitability for the client's needs. Therefore, since the practice pays for this advice on an hourly basis, the cost to the practice is far less than the cost of employing certain specialists full-time.

Even though some small accounting firms do offer a comprehensive range of services in one form or another, there still exists diffidence among some other accountants in venturing outside the strict limits of their professional function*, i.e., exploiting the knowledge that the auditor acquires on the operations (and problems) of individual client firms by offering advisory services whenever appropriate. However, in recent years the small accounting firm has faced intense pressure as a result of changes in taxation, company law and internal accounting

* For instance, Kenneth Sharp - at one time a smaller practitioner, a past president of the English Institute of Chartered Accountants, and presently head of the Government's accounting services - made the following comment in an address to the Irish ICA's conference in N. Ireland:

"This (management accounting services) is probably the biggest single gap in the whole armoury of advice supplied by small practising firms (up to 4 or 5 partners) to their clients. If we do not fill this gap there are many less disinterested organisations only too willing to do so."

Reported in Accountancy Age, 10th October, 1975.

standards.* Also, there is the cost involved in meeting a more active role, and a need to change attitudes of clients, i.e., many are not aware that general accountancy advisory services can be obtained and that services are not restricted to auditing and filling-in tax returns. The latter factor represents a marketing problem for the small firm sector of the profession.

Many small businessmen have formed close relationships with their accountants which might stretch back to the accountant successfully obtaining finance at a critical stage in the formative years. Moreover, the accountant in the role of part-time financial director or adviser can be of invaluable assistance after company formation and registration, etc., by introducing simple systems of book-keeping and management information - for instance, a manually operated system will suffice for quite a time or until it needs to be transferred to mechanical or computer processing - which can be crucial in regards the achievement of controlled growth and avoiding overtrading in the formative years. If the point is reached where the employment of a full-time accountant is justified, or where there is a need for a full-time financial director, then there will be a sound administrative base on which to build upon. In the case of a small firm that cannot afford the services of part-time executive financial director, it could probably afford a quarterly visit from the accountants - preferably a partner - for the purpose of looking into any problems in the financial and administration area.

Solicitors

Solicitors can and do provide several different services for small business firms. They will advise and assist on the formation

* Some members of the profession, e.g., Sharp, maintain that the ideal practice has five or six partners, each of whom is a specialist.

of a firm, registration of a business name, incorporation of a limited company, formation of a Partnership, etc. Also, they will advise on the acquisition of premises, any trading contracts, etc., which are to be entered into, and so on. The advice which solicitors can give to small business firms is of a continuing nature and can deal with questions relating to business contracts; purchase and sale of property; terms of sale of the business' goods, implications of the Trade Descriptions Act; overseas trading; the Factories Acts and the Shops and Offices Acts; industrial relations including redundancies, unfair dismissal, equal pay legislation, contracts of employment; pensions; insurance, and many other matters. The solicitor will also advise and assist in connection with the collection of debts, any litigation arising in the course of the firm's trading, and on taxation (VAT, Income Tax, Corporation Tax, Capital Transfer Tax) and tax avoidance. In the event of the firm getting into difficulties the solicitor will be able to advise as to the best means of circumventing the problems which have arisen. Also, the solicitor is able to advise and assist with matters connected with bankruptcy or winding up of a company, the sale of the business including its stock, goodwill, etc.

Business firms offering consultancy and advice as a part of selling products and/or services

There are several different forms of such advice and consultancy. For example, the small firm operating in the manufacturing sector can obtain technical advice and consultancy from the supplier of production machinery and ancilliary equipment. Another example is the case of

Marks and Spencer advising its various suppliers - there are about 400 of them - in different areas of management.⁽³⁾ For many years Marks and Spencer has been drawing up specifications for purchasing, as well as advising suppliers on the technical aspects of production, particularly in the traditional fields of fabric and clothing manufacture. In 1973 an industrial management group was established by the company to expand the advisory function* to include other management areas such as staff management (flexible working hours, group discussions) and staff welfare (medical rooms, canteens, nurseries for employees' children). The advisory group consists both part- and full-time managers qualified or experienced in technology, production engineering or some aspect of staff matters. The company's views are made known to the suppliers through news bulletins, visits and meetings.

Franchising, whereby a chain of small businesses is bound by the image and policies of a parent company represents another form. The person buying a franchise does not buy his own business: he buys a 'success package' from a firm that shows him how to use it.⁽⁴⁾ Through a reputable and professionally managed franchise system, the small franchisee can and does obtain some of the benefits of bigness, namely centralised buying and volume discounts, and the availability of managerial help from the parent company.⁺ The latter usually consists of assistance with site acquisition; planning (including

* Another firm operating in the distributive trades, W. H. Smith & Sons, established a subsidiary company - R & M (Management Consultants) Ltd.- to provide consultancy services to the parent company in areas such as research and marketing. The consultancy operation will also provide similar services on a professional basis to other firms operating in the trade.

+ The extent to which managerial help is given depends upon the type of franchise concerned.

the control of shopfitting and supply of equipment by the franchisor); staff training and advice in this area; after sales service; marketing (design of advertisements, leaflets and display posters, plus benefits of belonging to a nationally ^{*} promoted corporate business); management services (centralised data processing); the use of management techniques (sales forecasting, stock control); and provision of operating manuals (e.g., on accounting and administration). Examples of franchise operations are Kentucky-Fried Chicken, J. Lyons and Company (Wimpy, Golden Egg, Bake 'n Take), Golden Barbecue, Slendertone Slimming Clinics, Manpower employment agencies, Tonibell Ice Cream, Dyno-Rod, and various launderette operations.

The marketing divisions of oil companies offer advisory services to the tenants and operators of petrol filling stations, chiefly through an area sales representative and the latter's access to centralised management services, e.g., accounting and personnel. Examples of the management areas in which services are provided are: (a) Financial Management and Administration - provision of finance, and assistance with the acquisition of outside finance; introduction of recommended financial and management accounting systems whereby there is an emphasis upon the production of daily, weekly and monthly management control information⁺ (including the preparation of monthly profit and loss accounts); stock control; insurance administration; petroleum regulations and other legal aspects of operating a filling station. (b) Marketing and Sales - merchandising the site; how to make the

* In some cases the business is promoted on an international scale as well.

+ Some oil companies (e.g., Chevron, Texaco, Total) recommend the use of computer bureau services. For instance, the American-owned E. K. Williams & Co. Ltd. specialise in the provision of this type of accounting service, with the service including a monthly 'advisory' visit from one of their financial consultants.

best use of shops; how to handle complaints; sales promotion; stamp trading; direct mail; display. (c) Personnel Management, Development and Training - staff selection; staff control; training; personnel procedures; incentives; industrial relations. (d) Operations - site development; site and equipment maintenance; security. Some oil companies have training centres which run short-duration courses on the main aspects of managing and controlling a filling station.*

Lastly, mention will be made of the voluntary retail chains, e.g., Spar - Vivo, Mace, Unichem, Care Chemists. The main advantage of joining a voluntary chain is the buying power obtained which enables individual members to price certain of their goods competitively with the supermarket chains, etc. Members are able to obtain further support: for example, Unichem offers its members professional services (insurance, legal); a brockage service, plus access to development capital from a finance house, to assist any members wishing to expand by buying other pharmacy businesses; and advice on merchandising techniques, point-of-sale material, and advertising schemes.

* For instance, BP operates two retail training centres, one at Harrogate, the other at Epsom.

ADVISORY ORGANISATIONS

Included in this category are employers' federations and associations, some professional institutes, government departments and public bodies.

Employers' federations and associations will not be discussed here as details of the advisory and consultancy services available from two such organisations will be found in Chapter 4 and 7 of this thesis, namely the Motor Agents' Association and the British Printing Industries Federation.

Institutes

There are a number of professional institutes which operate information and advisory units or bureaux which can assist a small firm by supplying various kinds of information, or by referring enquiries received to other sources

of outside help. For example, the Institute of Purchasing and Supply runs a small firms advice service; the Institute of Statisticians maintains a consultants register of Fellows of the Institute providing consultancy services in statistics, management information, stock control, quality control, market research, sales analysis and forecasting, and other areas of business control based on quantitative and numerical data; and the British Institute of Management (BIM) offers a comprehensive information and advisory service. The latter consists of a Management Consulting Services Information Bureau (MCSIB) and a Smaller Business Unit, both being run for the benefit of members, subscribers, and others willing to pay a small fee for the services obtained. The MCSIB will supply short lists of consultants with the expertise and experience to carry out particular assignments. Users are encouraged to send in reports on the performance and effectiveness of the consultants they have employed. The Smaller Business Unit supplies information of practical help in the running of a business. In the past enquiries have covered a wide variety of subjects, and in particular smaller firms have sought help with the interpretation of government legislation as it affects employees, e.g., the Health and Safety at Work Act. Other services offered by the BIM include a management information centre (library facilities, publications, reports, etc.); a management education information unit (evaluates management education courses); executive remuneration service (offers advice on job evaluation, salary structures and salary administration); management development and in-company training schemes (devises programmes in areas such as general management, financial management, industrial relations and new legislation); industrial relations (advice is offered on industrial democracy,

labour legislation, union recognition and union membership agreements); and courses and seminars (are run on a wide range of management topics at various regional centres). In addition, the BIM operates a Centre for Physical Distribution Management and the Centre for Interfirm Comparison.

Government departments, agencies, sponsored organisations and public bodies

The Department of Trade provides help to exporting firms of all sizes, nearly all of it free. The help includes guidance on individual export problems; information on the most likely markets for products overseas; obtaining, where possible, samples of potential competitors' products; introductions to potential agents and buyers; help with overseas business visits; status reports on foreign firms (excluding credit or financial reports); information on tariff and import regulations; help and advice on participating in trade fairs overseas; assistance in finding licensees to manufacture products abroad; information on how to market and publicise products abroad. The exporter can use a computerised service - provided by the Export Intelligence Service - on payment of a small subscription. The service is fed by overseas posts, with the information being passed on to the subscriber within 48 hours of its receipt. Also, exporters can make arrangements to obtain information of a particular sort, e.g., market reports, overseas agents seeking suppliers, calls for tender, visits of overseas buyers, projects financed by the World Bank, market assessments and documentation procedures.

The Export Credits Guarantee Department (ECGD) is a specialist government department that operates on commercial lines following the advice of its Advisory Council of bankers and businessmen. Its

principal role is to extend credit insurance cover against a range of risks facing the exporter. Selling goods and services (such as consultancy) overseas involves more risk than selling in the home market. These risks can be insured against when the exporter pays a small premium, thus obtaining protection from major unforeseeable loss - notably against 'buyer risks' (the risk that the buyer fails to pay), and against 'political risks' such as lack of sterling exchange in the buyer's country, cancellation of an import licence, or war. In order to develop exports fully many exporters nowadays must give credit, often over lengthy periods: the longer the credit the greater the dependence on banks for pre-shipment finance to relieve liquidity difficulties (i.e. overdrafts used for export contracts), and for finance to bridge the interval between delivery and payment. Although the ECGD does not provide finance, its policies can be useful collateral for bank loans, and may often be supplemented by an unconditional ECGD guarantee given directly to the bank concerned. The ECGD endeavours to keep up with the change in world markets and to make sure that facilities are quickly adapted to the needs of the international trading picture. In recent times cost escalation cover has been introduced whereby the government agrees to bear the expense of cost inflation above ten per cent. on two-year contracts at fixed prices.

Although comprehensive services for assisting the exporting firm are provided by the government, the complex workings of the Whitehall machinery frequently baffle industrialists, especially the small exporter. The British Overseas Trade Board (BOTB) was established at the beginning of 1972 to bring together businessmen, bankers and bureaucrats to work as a team to promote British exports. The aims

of the BOTB are (i) to bridge the gap between industry and Whitehall by being accessible to exporters for the presentation of particular problems, especially any related to cutting red tape; (ii) to continue many of the functions of its predecessor (the British National Export Council), such as organising trade fairs, exhibitions, export advice, setting up British 'Shopping Weeks' in some foreign towns; (iii) to innovate, i.e., selecting priority markets, then deciding on a limited range of products which would appear to offer the best opportunities for U.K. manufacturers; and (iv) to stimulate greater use of government export services, e.g., by 'invisible' exporters such as banks, insurance companies, consultants, contractors, export houses and service industries.

The Small Firms Information Centres were established in 1973 by the then Department of Trade and Industry (re: the adoption of the relevant recommendation made by the Bolton Committee of Inquiry). The ten centres (e.g., Bristol, Manchester, Newcastle, London) function as regional enquiry points providing information on sources of outside help. The service is free and is available by telephoning (freephone), or by personal visits and/or discussion with staff at the Centres. The aim is to provide quickly a source of help on any aspect of business, e.g., finance, diversification, metrication, industrial training, exporting, planning and starting a business, rents, technological advances, industrial relations, EEC. The Centres are able to contact local authorities and government departments, libraries, chambers of commerce, and chambers of trade; are aware of the range of services offered by trade associations, research associations, professional institutions, regional small firms groups and specialist

consultants; have access to national and international sources of information; and act as a collector of information for the government (making it aware of both the problems and successes of small businesses). Recently (April 1976) a pilot operation for a small firms counselling service was established at the Small Firms Information Centre in Bristol: experienced individuals such as retired accountants have been invited to help staff this advisory service.

The Building Research Station Advisory Service (Department of the Environment) has three centres - Watford, Glasgow, Birmingham - which give advice on a wide range of topics concerned with the construction industry. Advice is available - by telephone, letter, consultation, site visit or as a result of a laboratory study - on any construction problem within the competence of the service. A small charge is made to cover the time and effort involved in preparing an answer. The Station - which was established over 50 years ago - also encourages the application of relevant research findings. The Advisory Service was set up in 1970 to be complementary to other information and advisory services, e.g., the Advisory Service for the Building Industry operated by the National Federation of Building Trades Employers. When an enquiry is more appropriate to another service or would be better handled by a professional consultant, then the enquirer is informed accordingly. For more complex problems the service fills the gaps left by other organisations, i.e., a wide range of expertise and resources are available.

The Manpower Services Commission consists of the Employment Services Agency (ESA) and the Training Services Agency (SA). The ESA controls the public employment services which consist of the following:

- (a) Job Centres - replacing the old-fashioned Employment Exchanges - which are centrally sited rooms where the public can browse among printed information and/or consult staff on available job vacancies.
- (b) Professional and Executive Recruitment (formerly the Professional and Executive Register) which operates in the market for higher level jobs: professional, managerial, executive and technical. Professional and Executive Recruitment (PER) has 38 offices throughout the country supported by centralised computer records, and charges fees to employers for recruiting people on their behalf. The selection services offered provide clients with a short-list of the most suitable applicants - normally five or six persons - with the cost being 10 per cent. of the salary involved as opposed to the 18-20 per cent. charged normally by recruitment consultants. Therefore, PER competes directly with organisations such as MSL, PA, and Tyzack & Partners, as well as undertaking the recruitment of other types of employee such as senior secretaries, and providing market information. However, PER still retains the function of providing special help to people in its range who have difficulty in obtaining or keeping jobs, i.e., welfare work.

The Employment Services Agency is also concerned with offering guidance to help people decide what work best suits them; introducing them to the skilled work courses provided; helping the disabled to get jobs; and gathering and distributing up-to-date information about local labour markets.

The Training Services Agency devises plans for supporting training in the seven TSA regions; for encouraging training in the 24 industries which do not have ITBs; and for improving training knowledge and

expertise. The TSA training advisers operate from seven regional offices, and the TSA runs a training opportunities scheme (TOPS) - the successor to the Department of Employment vocational training scheme - which catered for about 60,000 people in 1975. Subjects covered included craft skills, office administration and management techniques. Also, a 'wider opportunities scheme' was devised, with this being aimed at the unemployed to help them obtain and keep suitable jobs. The TSA has also devised and run a number of courses at the supervisory management level, e.g., job instruction, communication, relations, safety and methods; office and hospital supervision; retail distribution and selling techniques.

Since the early 1970s the Industrial Training Boards have as a part of their overall development operated more as specialist advisory bodies, mainly as a result of introducing specialist services such as consultancy. Examples of the services offered are management development programmes devised and run by specialist training advisers; the undertaking of detailed studies relating to particular training needs and possibilities; and advisory services for small firms. Some ITBs (e.g., the Furniture and Timber ITB) offered free consultancy for a time: thereafter charges were introduced, although sometimes they were subsidised to a great extent. Others (e.g., the Food, Drink and Tobacco ITB) brought in charges which compared with commercial consultancy rates so as not to compete unfairly. However, on normal contract work the charge was reduced whenever an ITB considered that it was gaining from the experience: the development of new advisory material is an example. Also an ITB may either join forces with a commercial consultant, or adopt a 'monitoring' role when services are being obtained from other

outside sources.

CoSIRA, the Council for Small Industries in Rural Areas is an advisory and credit service set up by the government to assist small firms located in the rural areas of England and Wales. The aim of CoSIRA is to help small firms (employing not more than 20 skilled employees) in rural areas (the countryside and country towns of not more than 10,000 inhabitants) to become more prosperous and so provide more jobs in the countryside, especially in areas threatened by depopulation. This role is therefore based on both economic and social considerations. The types of firm with which CoSIRA is concerned are in the manufacturing and service industries, excluding agriculture/horticulture and any retail business. A firm engaged in both manufacturing and retailing would, however, be considered on its merits. CoSIRA will also give priority to small firms in rural areas which are making a contribution to exports or to the reduction of imports, or which have an export potential; to firms which hold the promise of significant development; and to firms which are providing a service to the agricultural industry.

The advisory services offered by CoSIRA consist of three divisions, namely, advisory services, credit services, and field staff. In the advisory services division there are about seventy advisory officers dealing with problems faced by small firms operating in many different fields, e.g., engineering, craft industries, boat building. Assistance is given in areas such as business management and marketing, and technical services are available along with various courses of instruction. In

addition, the staff of the advisory services division can provide assistance with the preparation of an application for finance from outside sources, e.g., undertaking feasibility studies.

There is also a credit services division and this has limited funds available to make loans for buildings, the purchase of plant and equipment, and for working capital (from £100 up to a total of £20,000 for any one applicant). Loans are made when other financial organisations are unable or unwilling to provide adequately for essential needs, and also after individual projects have been studied in detail. Security is normally sought and the periods of repayment and interest rates are laid down by the Treasury, reflecting normal government practice. Finance is available for the development of small tourism enterprises (buildings, equipment, working capital: £250 to £25,000 for any one applicant). Once a loan has been given the field staff of CoSIRA will make periodic visits to the firm concerned.

The field staff consist of about fifty 'small industries organisers' seconded to the voluntary small industries committees covering all the counties of England and Wales. The role of these organisers is to seek out and to maintain contact with the small firms in their areas and channel assistance to them as required from the advisory and credit services divisions. For example, the organisers give advice on technical matters to the entrepreneur with managerial and administrative ability, or in contrast, managerial and administrative advice to the entrepreneur possessing technical know-how. Organisers liaise with voluntary and statutory organisations and with commercial organisations. Accordingly, they can help small firms solve problems of a day-to-day nature and those

related to a particular locality, e.g., planning. Group courses and other activities designed to benefit small firms are arranged on a local basis, and the organisers are also responsible locally for mutual assistance schemes, e.g., the Herefordshire Light Industries Group and the Thirsk Woodworkers Group.

FINANCE ORGANISATIONS

Clearing Banks

In addition to normal banking services - which may include general financial advice given by branch bank managers - the banks offer a comprehensive range of financial services. For example, the National Westminster Bank Group offer services in the following fields: executor, trustee and taxation services; business development loans of £2,000 to £25,000 repayable over five to seven years; pension fund and investment services; banking, instalment credit and leasing; registrar and new issue services; a computerised payroll service; credit factoring; insurance services; merchant banking services - including the provision of medium-term finance, new issues, mergers and takeovers, financial advice; overseas banking services; export services.

The development of services has been accompanied by an increasing interest in providing more complete financial advisory services to customers, thus enabling them to select and use properly the various forms of finance available. * An example of this type of advisory service is the Business Advisory Service (BAS) established by Barclays Bank in 1973.

* The short-term working capital requirements of British industry have been traditionally met by the clearing banks, and a good clearing bank relationship should always be the first financial link forged by the growing private company. However, it is worth stressing that too many small firms have developed the habit of regarding their overdraft facilities as an easy method of financing medium- and long-term developments, rather than to be used properly as working capital in the business. A company needs therefore to distinguish between its short-term working capital requirements and its needs for long-term finance.

The Business Advisory Service was designed to help small firms with a sales turnover of more than £100,000 p.a., on the lower scale, and firms up to the size where the employment of a full-time accountant is justified, on the higher scale. The service is free to the bank's customers and it is staffed by former bank managers possessing considerable experience of dealing with the financial needs of the small firm.* In addition the BAS managers are put through a four-month training course on financial management and administration run by one of the large accounting firms. The service is organised on the district and regional structure of Barclays, and the BAS managers follow up requests for help by visiting firms for one to five days, depending on the size and status of the customer.

Areas where advice will be given are as follows:

- setting corporate objectives
- costing
- budgeting
- capital investment appraisal
- cash flow forecasting
- asset management
- the production of management accounting information.

After a visit has been made a brief report on

* The BAS services are also available for non-customers.

the firm is prepared by the BAS manager and a copy is sent to the local branch manager, with this enabling the latter to become more familiar with the internal administrative procedures of the customer's firm.

If during the course of a visit the BAS manager comes across a detailed problem in a specialised area, then the firm would be advised to contact another source of help. An example would be a small printing firm facing certain problems to do with costing and estimating: in such a case the BAS manager would refer the firm's management to the specialised services provided by the costing division operated by the British Printing Industries Federation. On the other hand, any specialised services offered by Barclays would be recommended if it was considered that their use was appropriate to the needs of the customer's firm. The BAS therefore presents the bank with an opportunity to improve bank-customer relationships at branch level. From the inception of the service in April, 1973 to November, 1975, approximately 2,500 assignments had been undertaken.

Merchant Banks

The larger merchant banks like Hambros and Hill Samuel play a traditional role by offering a range of services covering commercial banking,* investment management, corporate finance and

* For example, acceptance credit facilities whereby bills of exchange issued by a client company are accepted for future payment by the bank, thus guaranteeing the bills which can be then discounted for cash in the money market; import and export financing facilities; secured/unsecured cash advances - short and medium term finance (sterling or other currencies); debt factoring; leasing; dealing in foreign exchange. Merchant banks also arrange Stock Exchange quotations; acquisitions or mergers; and through the Issuing House role capital can be raised for quoted companies.

development*, venture capital, and financial advice. However, in more recent times merchant banks have taken a conservative line when requests for risk capital are made. The traditional merchant bank⁺ engaged in the business of risk (or venture) capital does not appear to be interested in participating unless the company in question generates pre-tax profits of at least £25,000 p.a., or has a net asset value of at least £100,000, and it will also want to advance a fairly sizeable sum, i.e., a minimum of £50,000 up to £150,000. In addition, the bank will look for a good record of growth over the previous three years or so; evidence of effective financial controls; quality of management and products; and market potential. If these are all satisfactory then the bank may offer either a straight loan or a package containing both a loan and the taking of an equity stake - normally 25-30 per cent., and also the bank will reserve the right to put a representative on the company's board.

Perhaps more important, the bank will be looking for situations where a company lends itself to vigorous expansion in a short space of time. Most merchant banks like to take a five-year view, or seven at maximum, and will want to achieve a capital profit either by selling the company to a larger group or by bringing it to the market, so as to turn over the bank's portfolios rapidly and at an acceptable profit.

* The types of lending are normally bridging loans, working capital facilities, a loan to purchase capital equipment, funds to finance expansion, finance for purchase or development of property. Minimum amounts are usually about £50,000 in the short- to medium-term range, i.e., up to 10 years. Capital can be raised which cannot be found from cash flow, private sources or normal banking facilities.

+ Concerns such as S.G. Warburg; Hambros; Henry Ansbacker; Charterhouse; Keyser Ullman; Guinness Peat; Dawmay Day; Morgan Grenfell; Hill Samuel; Schroders; Brown Shipley; Edward Bates; County Bank (National Westminster Bank Group); Gresham Trust. There are also a number of American banks which offer services in the general field, e.g., First National City Bank, First Empire Bank - New York; Boston Trust & Savings; Bankers Trust.

Alternatively, a high rate of income will be sought to compensate for risks taken.

As entities the merchant banks do not have large financial resources of their own but rely on a wide variety of contacts to find the funds needed. Accordingly, the banks are particularly careful with medium-term loans so as to be sure that the company borrowing the money is going to be able to pay it back over the five or so years the loan covers. Therefore, merchant banks in general are inclined to develop close relationships with the small companies with which they become involved. Some even stress that the parties involved should get on well personally, as the relationship is essentially a continuing one which will hopefully see the small company through to flotation. This kind of relationship facilitates discussion on the company's problems and potential problems.

The independent merchant banks are relatively small organisations: most have a staff of less than 500 persons. Thus they can give a very personal service with continuity of contact with the bank and also with a director looking after the affairs of a particular company. They are therefore in a good position to offer a wide range of advice on a continuing basis, especially to smaller firms whose size does not justify the employment of a full-time financial director. Also, a merchant banking adviser who can spend a day or two a month on a regular basis with a company can help to strengthen the latter's management team, not only through his specific specialist skills, but also through his broader business experience and constant exposure to a variety of situations, as well as his access to other specialised services and information sources.

Other Financial Organisations

There are a number of other financial organisations which provide development finance and/or 'venture' capital for the private company sector, and these can be approached when all normal banking, hire purchase, leasing facilities, et cetera, have been exhausted - for instance the Small Business Capital Fund (SBCF), the Industrial and Commercial Finance Corporation (ICFC) and the National Research and Development Corporation (NRDC).*

The Small Business Capital Fund Limited (SBCF) was set-up in 1969 to provide capital for smaller private companies having growth potential, but lacking adequate finance. The SBCF is financed by the Co-operative Insurance Society and the Norwich Union, and investments are made in many fields of activity, including new ventures.⁺ Whenever a proposal is thought to have merit the company concerned is thereafter studied in some detail, with this covering an appraisal of finance; management strengths, weaknesses, potential for development and attitudes to change; the market in which the company is operating / proven expertise in a chosen field; and the company's potential within that market, namely a very competitive product.

* A company needs development finance, for instance, when its turnover is growing so fast that it runs out of working capital and cannot generate enough out of profits, i.e., the limit of its bank overdraft has been reached.

Venture capital means the provision of high-risk money to support promising young or even new companies, which, although only having a limited (if any) 'track record' require capital beyond the security which can be offered, i.e., companies which would achieve substantial and profitable growth over the medium-to long-term.

+ The fields in which the SBCF is not interested include property development, hotels, garages, motor cars, aeroplanes and inventions which are not yet fully developed and ready for commercial exploitation.

Funds are provided - without any set lower or upper limit but typically in the range £50,000 to £500,000 - to finance the planned growth of a company. In return an appropriate share of the equity capital, preferably a minority holding, would be taken. If necessary additional finance would be made available, e.g., a debenture or the negotiation of a commercial loan.* The SBCF would be very interested in a business that had the potential to expand from a turnover of about £100,000 with profits of £15,000, to a turnover of £2m. with profits of £400,000, with this to be achieved in five to eight years. The return on the investment would be by way of capital appreciation, and the aim would be to realise all of the investment - subject to the consent and best interests of the existing shareholders - either by sale to these shareholders, a mutually agreed outsider, or by way of a merger or public offering.

If necessary the SBCF will provide management support and advice, the latter being considered important on the basis that small companies can rarely afford a complete management team so that the chances are that even the best prospects will be weak in one or more of the main management areas. The senior executives of the Fund have had considerable experience in the running of successful private companies. Therefore, they are familiar with the day-to-day problems occurring in such businesses. In addition, a company in which the SBCF has invested will have one of the latter's senior executives appointed to its board to work with the existing management in a

* Up to May, 1974, the SBCF had made investments in about 18 companies totalling well over £3m. In 1975 the SBCF did not invest in any new companies: it continued to invest in companies already on its books. Whenever an investment is made a fee is charged to cover the administrative and other costs involved in the consideration and screening of a proposition. The SBCF tends to take a 5-10 year view.

consultative capacity, thereby making available expertise and wide commercial and industrial experience to supplement existing management resources.* Each SBCF director takes an active interest in his companies, and to prevent loss of control no director sits on more than five boards.

The Industrial and Commercial Finance Corporation (ICFC) provides development finance for smaller firms at fixed interest rates for a fixed period of 7 to 25 years in amounts ranging from £5,000 to £1m. and more.+ Since its establishment in 1945 the ICFC has dealt with approximately 4,000 customers from the smaller firm sector.‡ Also, it has developed a comprehensive range of services, and most of these are now separate organisations, namely:

- ICFC - NUMAS (management consultancy services for the smaller firm sector).
- ICFC Communications
- ICFC Training
- ICFC Computer Group
- Industrial Mergers Limited
- Technical Development Capital Limited
- Ship Mortgage Finance Company
- Estate Duty Investment Trust : EDITH (As a result of

* A nominal fee is charged whenever an SBCF senior executive attends a board meeting of a company in the capacity of a non-executive director.

+ In 1973 the SCFC and the Finance Corporation for Industry (FCI) were merged to form Finance for Industry (FFI). The shareholders of FFI are the Bank of England, Bank of Scotland, Barclays Bank, Lloyds Bank, Midland Bank, Clydesdale Bank, National & Commercial Banking Group (The Royal Bank of Scotland, Williams & Glyn's Bank), National Westminster Bank and Coutts & Co. The two divisions of FFI are ICFC and FCI: the former provides (basically) long-term finance up to £1m. for smaller firms, and the latter amounts over £1m. for larger firms and projects. Since the merger the ICFC has been in a position to refer smaller firms requiring more than £1m. to the FCI.

‡ More than £400m. has been invested in these smaller companies.

operating in the smaller firm sector the ICFC came across clients with estate duty problems. Accordingly, they were instrumental in founding EDITH which acquires minority interests in private companies to enable the vendors to make provision for the Estate Duty - now Capital Transfer Tax - liable to arise on their holding. EDITH is now a publicly quoted trust managed by ICFC.)

ICFC's size and backing mean that it has advantages in raising money which enable it to be flexible regarding repayment terms, often gearing these to a company's growth projections. Only about one-quarter of ICFC's advances have been for equity participation and it is not really interested in nursing companies to the Stock Exchange, the latter being the interest of its corporate finance branch which is divorced from its lending operations. Normally finance takes the form of a secured loan - to be used, say, for the purchase of fixed assets or for working capital. Whenever there is an equity participation (or an option) this is usually in the range 20 to 25 per cent. of the equity.

ICFC does take risks and in many cases, large risks. Accordingly, to assist with appraisals there is an experienced staff including accountants, engineers, marketing and other experts. If finance cannot be provided, a contribution will still be made by pointing out to management the difficulties which ICFC sees in certain proposals. The appraisal will consider several aspects of a particular company's operations, e.g., financial management and planning, organisation structure and management succession, marketing. Rejections usually reflect a lack of faith in a product or company.

It is appreciated that the smaller businessman is eager to develop his own management style and develop his own business in his own way. Therefore, it is policy not to interfere in day-to-day management, but to provide a sympathetic ear regarding problems as and when they arise, i.e., advice and management services from any one of the ICFC subsidiaries is available. Unlike some other development capital specialists the ICFC does not insist on putting a director on the board of a customer company. Such a policy would of course be impracticable as the ICFC has had as many as 2,500 customers at any one point in time (for instance in 1974). However, there can be exceptions: for example where there is an obvious gap in management strength an independent nominee director may be appointed to fill it. Still, only some 4 per cent. of the companies in which the Corporation has so far invested have had an ICFC nominee on their board.

Technical Development Capital (TDC) is the venture capital arm of the ICFC. Its prime function is to help entrepreneurs create new or extend existing business based on worthwhile technological innovation. TDC will consider any new kind of proposition which may involve either a product, process or service to be supported at any stage. However, the closer it is to commercial realisation then the more likely there will be a favourable assessment. TDC looks for an individual or team submitting a good business plan - original ideas, a well-defined market, a well-balanced management team - for setting-up a new company or expanding an existing one. However, in practice TDC has in the past supported a number of people with technical expertise and very little business experience by drawing on accumulated experience - for instance with the drawing-up of a financial plan - and providing management advice in the weak areas. TDC has already provided over £11m. of high risk

capital to small and very small businesses and currently invests at a rate of around £1m. a year: its portfolio is spread among over 100 companies across the country. The general scope of its lending is between £3,000 and £500,000 which is advanced in the form of medium- or long-term loans accompanied by subscription of ordinary share capital, or an option to convert a portion of the loan into a minority share of the equity. TDC complements NRDC - with whom it has a number of joint investments - by concentrating on the post-prototype production and marketing stages of the innovation cycle.

The government-financed National Research and Development Corporation (NRDC) will provide finance for a company or an individual developing a product or idea that is technologically innovative, not easily financed from normal commercial sources, possessing commercial potential, and for an inventor or developer prepared to contribute funds on a joint basis. NRDC differs from other sources of venture capital in that it comes into a project at an earlier stage, i.e., unsounded and untested technological projects which eventually can be marketed in the national interest. NRDC will not, however, supply finance for the commercial exploitation. NRDC has been instrumental in enabling a number of individuals to form new technically oriented businesses and is prepared also to make joint investments with other venture capital organisations. NRDC may acquire the rights of an invention which has originated from government departments or universities, and then seek industrial firms interested in manufacturing it commercially under licence. In the case of a new business where the product to be supported is the main activity, the NRDC will seek an equity participation.

Sometimes the situation arises where it is necessary to take

control of an enterprise, with this control then reverting back once the project becomes a success. Also, there is a right to appoint board managers who may become involved with the running of a particular company: experience has shown that such an involvement contributes to the success of a particular project. Lastly, NRDC can also provide management services if required.

In recent years a number of business firms, particularly those with a substantial turnover involving many small orders, have used the services of a factoring company (e.g., H & H Factors Ltd., Credit Factoring/National Westminster Bank Group, Alex Lawrie Factors Ltd.) in order to increase their working capital. This has occurred against the background of industry over, say, the last 15 years manufacturing internally some of the credit which was previously provided by the clearing banks, i.e., each firm is simultaneously trying to reduce the period of its debtor ledger and extend that of its creditor ledger.

The factoring company takes over the collection of its clients' book debts and pays the client the full amount of the book debts to an agreed average maturity date or against collections, and also relieves the client from the cost of both administering and collecting debts, and the cost of credit insurance. The factor will also lend money (and is generally asked to do so) against the security of the book debts transferred to it, in advance of the agreed maturity date, at a rate of interest a few points in excess of overdraft rates.

The factoring companies are particular about the kind of firm that they will do business with. Generally, the following qualifying considerations will apply: a good record of growth or growth potential; good profitability or profit potential; plans for expansion; effective

management controls; no previous history of pressing creditors; a good product that sells consistently well; an annual sales turnover of at least £50,000 (some factoring companies specify a higher figure in range £100,000 to £200,000, while others will consider a turnover of less than £50,000 if a particular firm has very good prospects for expansion); suitable trade, bank, customer and credit ratings; good customers; and the personalities and characters of the people running the company. The cost of the service is much the same as a clearing bank overdraft, plus a second charge for the credit management services element which can vary according to the type and size of firm - usually between 0.75 and 3.5 per cent. Advances from the factoring company are normally 70 to 80 per cent. against current debtors on a continuous month by month basis received in cash within twenty-four hours of the invoices being sent out: the balance is received after the factor obtains full payment on the invoices.

The benefits of factoring as an alternative source of finance are, therefore, increased liquidity for financing further business; no sales ledger headaches; lower accountancy costs; no debt-collecting worries; lower debt-collecting costs; more effective collecting; better purchasing terms from suppliers; and no loss of control to outside financial interests. Moreover, using a factoring company to carry out certain functions in the area of credit management enables the smaller firm to achieve a level of efficiency which may not be approached unless a comprehensive accounting function is established internally. Also, the small firm (in particular) can avoid using scarce management resources to chase overdue accounts.

AGENCIES AND BUREAUX

Personnel and Staff Agencies

Before the turn of the century the professional intermediary concentrated largely on domestic and agricultural workers, but since the early 1900s the emphasis of this business has been on the provision of office staff, mainly because the demand for office workers has been increasing steadily since the early 1920s. In recent years the staff agencies have expanded the provision of personnel services into areas such as the industrial labour market for skilled and unskilled workers. Accordingly, some of the staff agencies have developed into multi-purpose organisations, e.g., Alfred Marks Bureau, Reed Executive Group, Randstad Employment Agency. Areas of activity now include staff recruitment services for secretarial and clerical staff, accountants, banking, broking and finance staff; marketing and sales; senior and executive secretaries; technical and industrial; catering, retail, nursing and travel; hairdressers; telephonists and telex operators; translators and bi-lingual secretaries; overseas recruitment, and so forth. Also, some agencies have moved into recruitment consultancy for executive, professional and managerial staff (e.g., Reed Executive Group); others have specialised in areas such as banking (Jonathan Wren) and accountancy (Reed Executive Group); and some provide temporary contracting services, e.g, Manpower, Reed Executemps. The latter provides temporary accountancy staff at all levels from book-keeper to financial director.

Although the staff agency, unlike the recruitment consultancy, will not work very closely with the client, the use of the services offered - the screening and shortlisting of suitable candidates for a fee based on the starting salary - can lead to a saving in both

time and effort, especially in the case of a small firm that has its managing director, or some other senior employee handling the personnel function. The small firm can also supplement management resources by making use of the temporary contracting services offered by the staff agencies. For example, the services of a temporary accountant could be obtained as and when necessary, especially in the situation where there is insufficient work available to justify making a permanent appointment in this area. Temporary staff can be used in other areas as a stop-gap measure before a permanent appointment is made; to cover holiday and sickness leave; to overcome labour shortages; to undertake special projects or rush orders; and to cope with periods when the demand for products or services is at its highest.

Computer Bureaux

Wherever there are standard accounting and administration routines it is usually possible to design a computer system to undertake the work. If a standard system is thereafter offered to many users and operated through a central computer, the cost to each user may be relatively low.* This, therefore, is the criterion on which many computer bureau services are based. For the small business firm using computer bureau services there are several benefits which can be obtained, namely:

- a. Some routine and repetitive work can be eliminated.

* Assuming that the prime records of account are well maintained. Depending on the size of a particular operation, it may require, say, only two full-time staff for the day-to-day running of an accounts office. Thereafter it is not too difficult to make use of a computer bureau to prepare monthly management accounts and to provide management control information. It is not generally appreciated that bureaux can be used to maintain the ledgers and to produce monthly management accounts for less than £2,000 p.a.

- b. The production of management and accounting information on a regular basis, e.g., weekly statistics covering sales and costs; monthly management accounts; stock figures; ledger accounting.
- c. Costs are often lower than those which would be incurred as a result of employing a clerk to undertake similar work internally.
- d. In the case of a small firm obtaining comprehensive services from a computer bureau there will be a consequent reduction in the number of clerical and accounting staff which need to be employed.

Some bureaux provide more specialised services such as payroll computation, general costing, professional costing and financial accounting. Others provide data processing services for particular industries: for instance, the retail motor trade , employment agencies, printing.

An alternative to the computer bureau is the machine accounting bureau. The latter generally provides a partial or full book-keeping service for the small firm, and some will produce management information (weekly) and management accounts (monthly) as well. In addition, some proprietors will offer general advice in the area of financial management and administration.

OTHER ORGANISATIONS

Over the last three years or so a number of organisations have been established to provide services to small firms in the form of part-time directors, non-executive directors and advisers. The schemes which have been introduced have been called, for example, 'borrow an executive'; 'visiting financial director service'; and 'lease an executive'. The aim of these schemes is to provide management and /or technical experts to fill a (temporary) void in management resources or to undertake special studies.

The 'borrow an executive' scheme was introduced in the Midlands (early 1976) by the Training Services Agency and the Small Firms Information Centre, whereby senior business executives who have been made redundant, and retired administrators are 'lent' to small firms for about two weeks. The TSA has run eight-week courses for these individuals on aspects of smaller business management. After completing the course the participants will act in an advisory capacity - free of charge - to a small firm that has previously made a request for consultancy assistance.

Another scheme that is available - the ICFC-NUMAS visiting financial director service - hinges on the occasional presence of a highly-qualified and experienced financial executive to interpret management information, to give guidance on the day-to-day management of cash and to assist with making commercial and financial planning decisions.⁽⁵⁾ Under this scheme an ICFC-NUMAS financial consultant (a qualified accountant) is appointed to monitor the client's monthly results carefully and to report to the directors on any matters which require attention. Assistance is given with the preparation of budgets;

regular visits are made by the consultant to help clients update cash forecasts; to discuss pricing policy; to examine capital expenditure proposals; and to generally perform the role of part-time financial director.

A necessary part of the scheme is the re-organisation of the existing book-keeping system and financial records in a form that is suitable for computer bureaux processing: this task is supervised by the ICFC-NUMAS financial consultant. Thereafter, the visiting financial director service commences on a regular monthly basis. It is claimed that the cost of the service (including the bureau services) is much less than the cost of employing a full-time financial director.

In the personnel management field an advisory service - Personnel Management Advisory Service (PERMAS) - was set up in 1973 by the Institute of Personnel Management in conjunction with the Staff Management Association (white collar section) of the Institute. The service, which is voluntary and non-profit making, offers confidential guidance to smaller firms located in the City of London that cannot justify employing a specialist to handle personnel matters.* The service is based at the City University and there are about thirty personnel specialists available for one-hour long consultations, with these being arranged every Wednesday evening.

The advisers offer advice on organisation and manpower planning; recruitment, pay and employment conditions; employee relations; and education and training. Involvement with customers beyond the initial consultation is not sought. However, follow-up advice will be planned

* As a general rule it is considered that once a firm employs about 200 persons there is a need to employ a full-time personnel officer.

as required, e.g., the City University will provide a back-up service (for the advisers) for more detailed problems faced by customers, and also the results of relevant research will be made available. The service has been established against the background of an increase in legislation on personnel matters - ranging from redundancy payments and training to equal pay and industrial relations; high rates of labour turnover; increasing unionisation of white-collar workers with many of these new personnel topics posing problems beyond the experience of some small firm managements.

Finally, there are organisations specialising in the provision of a comprehensive range of personnel services to smaller firms. For instance, one organisation located in the South West will provide personnel consultancy and counselling services on a continuing basis, including the upkeep of personnel records on behalf of clients which are too small to establish an internal personnel department.*

* In addition, this organisation will provide any of the following services:

Job appraisal, description and specification; selection and recruitment of staff including shortlisting and final interviewing of candidates; salary planning; advice on management succession problems; devising in-company training schemes and management development programmes; provision of temporary book-keeping staff.

References : Appendix 1.1

- (1) Contract research. Financial Times Survey, 2nd July, 1973, p.30.
- (2) Rivett, P. (1971). The academic consultant. Management Today, September 1971, pp. 37-38, 42, 46.
- (3) Trafford, J. (1974). St. Michael's formula for success. Financial Times, 3rd April, 1974, p.21.
- (4) Seroude, C. & West, G. L. (1969). Franchising : a success package for small entrepreneurs ? European Business, October 1969, pp. 63-69.
- (5) Barker, T. (1976). Wanted : part-time financial directors. Accountants Weekly, 2nd April, p.17.

Appendix 3.1 : Questionnaires Used in the Study on Providers
and Users.

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SCHOOL OF MANAGEMENT

OUTSIDE SERVICES FOR SMALL FIRMS

SECTION A : CORPORATE PROFILE

1. When, and for what reason was established?
2. Have the original organisational objectives been modified or changed since?
 - What were the reasons for the modifications and/or changes - if any ?
3. Will you give the following details :
 - 3.1 The number of personnel employed initially, and also at present.
 - 3.2 The qualifications of the senior staff.
 - 3.3 An organisation chart and/or a verbal description of the organisation structure.
4. What factors have influenced the growth and development of your organisation?
 - What constraints have been faced?

SECTION B : SERVICES AVAILABLE

5. Please give full details of all the services offered to small firms.
6. Why are these services offered?
7. Please indicate how the services have been developed in recent times.
8. What are the costs of the various services?
9. In general terms, how can your organisation (a) strengthen management, and (b) improve the efficiency of a small firm client?
10. Concerning the provision of services, have many problems been faced in connection with maintaining high standards?

SECTION C : MARKETING THE SERVICES

11. How are the services marketed?
 - 11.1 Have marketing methods changed at all in recent times?
 - 11.2 Are marketing methods likely to change in the future?
12. What marketing problems have been faced?
13. Is the location of the provider important as far as the effective provision of services is concerned.
14. Is a 'personal approach' an important factor in the marketing of services?
15. Will you mention the usual reasons why small firms use the services offered by your organisation?
16. Why do small firm clients cease using the services?
17. How often do small firm clients use the services?
18. Do small firm clients possess any special features such as progressiveness and/or a willingness to tackle and solve existing problems?
19. Will you discuss the forms of competition which your organisation has faced in the past?
 - Have you any idea what form competition might take in the future?
20. What are the advantages and disadvantages of being an outside adviser?
21. What kind of response from a small firm client is needed to ensure the effectiveness of the services provided?
22. How does your organisation tackle the problem of implementing recommendations?

SECTION D : GENERAL

23. Bearing in mind the different types of outside service available in the small firm sector - see list :

23.1 Are there any obvious shortfalls?

23.2 Do you consider that, generally, outside services are marketed effectively, or otherwise?

24. Do you have any plans for expanding and/or developing the services currently offered?

- If so, what kind of constraints are likely to appear in the future?

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SCHOOL OF MANAGEMENT

OUTSIDE SERVICES FOR SMALL FIRMS

SECTION A : CORPORATE PROFILE

1. Please give the following details about your firm :
 - 1.1 The reasons for establishment and date of incorporation.
 - 1.2 The approximate annual sales turnover - if known -
for the first few years of the firm's operations.
 - 1.3 A description of the initial operations, services
provided and/or markets serviced.
 - 1.4 A description of the firm's early organisation
structure, including the approximate number of
personnel employed.
2. Please describe the current activities of the firm and how these
might have changed in recent times?

SECTION B : CORPORATE GROWTH

3. What was the average number of personnel employed in the last
three years?
4. Please describe the existing organisation structure and the main
duties of the personnel employed?
5. What was the sales turnover of your firm for each of the last
three financial years?

SECTION C : OUTSIDE SERVICES USED

6. Will you give brief details of the services obtained from?
7. What was the approximate cost of these services?
8. Please specify the reason(s) why you obtained services from
.....?

9. How was selected in the first instance?
10. When did you first obtain services from and how often since then?
11. Please describe the benefits obtained from the services provided by?
12. In which areas has the management of your firm been strengthened as a result of using the services provided by?
13. Were there any problems associated with the services obtained from?

SECTION D : GENERAL

14. To what extent do you consider that the services obtained from have influenced the growth of your firm?
15. What other outside services - see list - has your firm used?
16. Have you any idea what your future requirements for outside services will be?
17. Do you think that small firms in general are sufficiently aware of the range of outside services currently available?
18. Do you think that small firms in general should make better use of the outside services available?

Appendix 3.2 : Printing Industry Survey Questionnaire

FIELDWORK QUESTIONNAIRE

A. TYPES OF OUTSIDE SERVICE USED.

(Questions relate to the last three years).

Management Consultants

1. Please indicate the area(s) in which problem-solving services were obtained :

General Management and Organisation

Financial Management and Administration.

Personnel Management, Development and Training.

Marketing and Sales.

Production Management and Control.

Information and General Advice.

2. Have management consultants been used on more than one occasion?

3. If so, have services been obtained more or less on a continuous basis?

Recruitment Consultants

4. Please give the following details :

4.1 Reasons for use (executive, professional and/or managerial staff).

4.2 Benefits obtained.

4.3 Were the services considered expensive?

4.4 Are they used whenever there is a vacancy for any of the above mentioned staff?

Technical Consultants (concerned with the problems of print production)

5. Please give the following details :

5.1 Number of times used.

5.2 Areas

5.3 Benefits.

PIRA

6. Which of the following were received :

6.1 Relevant research findings.

6.2 Assistance with the solving of technical and/or technological problems of printing processes and operations.

6.3 Use of laboratory and/or research facilities.

7. Benefits obtained.

8. Does your firm belong to - or has it had contact with - any other research association?

Educational Establishments

9. Which of the following applied :

Number of times used

Using any technical, technological and/or scientific facilities available from the various departments of nearby Universities, e.g. using the facilities of the Department of Paper Science at the University of Manchester Institute of Science and Technology for solving printing problems connected with the tensile characteristics of paper.

Using Academic Management Consultants from nearby Universities, Business Schools, Polytechnics or Colleges.

Using Academic Technical Consultants or Advisers from a nearby printing college to help solve any technical and/or technological problems of printing processes or operations.

Practising Accountants

10. Please indicate which of the following services were obtained :

YES NO

Financial planning including the financial techniques
of profit planning, cash flow forecasting and
capital investment evaluation.

Advice on sources of new finance.

Preparing an application for additional finance.

Calculating financial ratios.

Advice on management accounting and budgetary
control systems.

Advice on costing and estimating techniques.

Advising on acquisition and/or merger.
Undertaking business appraisals and/or company
valuation.

Financial counselling, i.e. discussing general
financial problems with your accountant.

Preparing monthly management accounts.

Estate administration and personal taxation
services for directors.

11. Benefits obtained.

Solicitors

12. Has your firm obtained services over and above general legal
services, e.g.

12.1 Advice on the acquisition of finance.

12.2 Legal aspects of overseas trading.

12.3 Other(s).

13. Benefits obtained.

Advice or Consultancy from the Suppliers of Production Equipment

14. Brief details.
15. Benefits obtained.
16. Were there any extra costs involved?
17. Was the advice and/or consultancy readily available?

BPIF

18. Concerning your membership, which of the following apply :

Receiving publications, reports, recommendations, agreements covering wages and conditions for operatives, economic and statistical information on the printing industry.

Requesting information and/or advice concerning such areas as industrial relations and labour matters; legislation affecting the printing industry; HMSO contracts; legal matters connected with running your business; educational matters such as training management, administration, technical, craft and operative personnel; costing systems and estimating procedures; suppliers of machinery, materials and services; and computer typesetting.

Executives/Managers attending courses, conferences and lectures run by the BPIF.

Executives/Managers attending association/Alliance meetings and functions; membership of YMP.

Executives/Managers serving on association/Alliance committees and/or Standing Committees.

Using the BPIF Technical Advisory Service in connection with improving production efficiency, machinery, factory layout, production control etc.

Using BPIF Management Accountants to install the 'uniform costing system'.

Using the BPIF computer service to provide costing and accounting information.

Participating in the BPIF Management Ratios Scheme.

Using the BPIF Arbitration arrangements to settle any contractual disputes.

Staff enrolled on any of the BPIF correspondence courses.

Other : please specify.

19. Benefits obtained.

20. Membership of any other Federation or Association?

Professional Institutes.

21. Has your firm had contact with the following :

21.1 Institute of Printing.

21.2 Institute of Printing Management.

21.3 B I M

21.4 Other (s).

22. Benefits :

22.1 Corporate / Individual Membership Services.

22.2 Requesting information and advice.

22.3 Other (s).

Information and Advice from Government Departments

23. Please give the following details :

23.1 Type of information/advice received.

23.2 Department/agency concerned.

23.3 Benefits.

PPITB

24. Which of the following services were obtained :

24.1 Information only.

24.2 General advice on devising training schemes for executive management, administration, technical, craft and operative personnel.

24.3 Membership of an ITB training group.

24.4 Sending personnel on ITB organised/recommended training courses.

24.5 Advice and assistance with the selection and recruitment of managerial, administrative and technical personnel.

24.6 Other(s).

25. Benefits obtained.

26. General comments.

Finance Organisations

27. Please indicate which of the following services were obtained from your Clearing Bank :

Estate administration and personal
taxation services for directors.

Exporting services.

Advisory services on costings,
pricing policy, capital invest-
ment appraisals, budgeting, cash
flow and asset management, e.g. such
services are offered by the Barclays
Business Advisory Service.

General financial advice from the bank
manager.

28. In the case of obtaining services from a Merchant Bank, which
of the following applied :

Obtaining Finance.

Advice on Acquisition and/or Merger.
Undertaking Business Appraisals and/or Company Valuation.

Advice and/or consultancy on General Management and
Organisation.

Advice and/or consultancy on Financial Management and
Administration.

Advice and/or consultancy on Personnel Management,
Development and Training.

Advice and/or consultancy on Marketing and Sales.

Advice and/or consultancy on Production Management
and Control

Information and General Advice.

29. If you have obtained services from other finance organisations, e.g. ICFC, please specify and then indicate which of the following services applied :

Obtaining finance

Advice on Acquisition and/or Merger.

Undertaking Business Appraisals and/or Company Valuation.

Advice and/or consultancy on General Management and Organisation.

Advice and/or consultancy on Financial Management and Administration.

Advice and/or consultancy on Personnel matters.

Advice and/or consultancy on Marketing and Sales.

Advice and/or consultancy on Production Management and Control.

Information and Advice.

Agencies and Bureaux

30. Was an Employment Bureau used for any of the following :

30.1 To recruit middle-management?

30.2 To recruit administration staff?

30.3 To obtain temporary administration staff?

30.4 Other (s).

31. Benefits obtained.

32. Was a Computer Bureau used for any of the following :

32.1 To compute the value of stocks and/or work-in-progress?

32.2 To produce management accounts and information on a monthly basis?

32.3 Other (s).

33. Benefits obtained.

B. MANAGEMENT AREAS STRENGTHENED AS A RESULT OF USING OUTSIDE SERVICES

34. Please indicate where the strengthening occurred :

34.1 General Management and Organisation

Improved company planning and development.

Clearer corporate objectives and more effective company policy.

More effective company organisation and management structure including a clearer definition of management responsibilities.

Executive counselling, i.e. general management advice received by the managing director and other senior personnel.

Advice received on the problems of management succession.

Advice received on diversification, acquisition, merger or business appraisals.

Rationalisation of print accounts held.

34.2 Financial Management and Administration

Financial, profit and capital investment planning.

Assistance with preparing your case when applying for outside finance.

The calculation of financial and management ratios.

The introduction of management accounting and budgetary control systems and/or improved costing and estimating procedures.

Organisation and methods, work measurement and improved clerical procedures.

Office equipment evaluation and selection.

Rapid generation of management and financial information.

Provision of temporary staff.

34.3 Personnel Management, Deveopment and Training

Executive director and/or management training and development schemes.

Executive director and/or management selection.

Clerical staff training and recruitment.

Introduction of wages and incentive schemes for production and clerical staff.

Job evaluation and description.

Industrial relations policy.

Training needs analysis.

34.4 Marketing and Sales

Market research and sales forecasting.

Sales organisation and control.

Sales training.

34.5 Production Management and Control

Layouts for production departments.

Selection of plant and equipment.

Materials handling and storage.

Product design and value analysis.

Work study.

Quality control.

Materials waste control.

Planned and preventive maintenance.

Distribution and transport.

Developing new production facilities.

Using outside research facilities to solve production problems, e.g. PIRA, nearby University or printing college.

34.6 Information and General Advice

Receiving technical and technological information/
advice about the printing industry.

Receiving economic and financial information/
advice about the printing industry.

Receiving information, advice and assistance with
the interpretation of new legislation introduced
by the government.

35. Were any other management areas strengthened?

C. FACTORS INFLUENCING GROWTH

36. Have you any comments to make about the factors which contributed
to an increased sales turnover : these were previously specified
and ranked by you in the Postal Questionnaire?

37. Have you any comments to make about the influence which the use
of outside services had upon the growth of your firm?

D. GENERAL

38. Has your firm faced any problems connected with the use of
outside services?

39. Can you indicate what your future requirements for outside
services will be :

- 39.1 ● Using less
● About the same
● Using more

39.2 Comments

40. Please indicate the number of personnel employed by your firm
in each of the last three years.

41. In general, do you think that small firms are sufficiently aware
of the range of outside services currently available?

42. In general, do you think that small firms should make better use
of the outside services available?

43. In general, do you think that smaller printing firms should make better use of the outside services available?
 44. Do you think that there is a shortfall in the provision of outside services to smaller firms operating in printing and allied trades?
 45. Has your firm used any outside services not specified in the Postal Questionnaire?
 46. Do you think that the same amount of growth would have been achieved if your firm had not used the outside services specified?
 47. Do you think that there is a limit to the growth of your firm?
If you think that there is, what size in terms of sales turnover and/or numbers employed may this be represented by?
 48. Do you have any outsiders on the board of directors? If so, what kind of background and qualifications does this director have?
 49. Bearing in mind the outside services which your firm has used over the last three years, was there any difficulty in :
 - 49.1 Finding out if an outside organisation could provide the services required?
 - 49.2 Thereafter selecting the organisation most likely to provide an effective service?
 - 49.3 If yes to 49.1, which type(s) of outside service were involved?
-
-

Appendix 8.1 : Non-users

Firm		REASONS FOR NOT USING OUTSIDE SERVICES				SALES TURNOVER		FACTORS CONTRIBUTING TO AN INCREASED SALES TURNOVER							Activities		Technology	Comments
Size: Employees	Outside services have not been needed	The use of outside services has not been considered	The use of outside services was considered too costly	Previous unsatisfactory experience of using outside services	Latest Sales Turnover: £	Cumulative Percentage Increase for Three-year Period	No.	Industry-wide Increase in Demand	Increased Production Facilities, etc.	More Intensive Selling, etc.	Entry into New Markets	Acquisition and/or Merger	Greater Competitiveness, etc.	Others:				
44	1-25	•	•				6	•	•	•	•	•	•	•	•	J, Po., BB	LP, LA, SL	Because of research and development activities the use of outside services had not been considered. Previous unsatisfactory experience with another firm - of using outside services and, as a result, they were considered too costly. Turnover figures confidential.
15	1-25	•					1								1: Inflation	J, Po.	LP	A one-man business. Turnover figures confidential, but increase indicated.
45	1-25	•					3		2	3			1		J, FL	LA, SL	Turnover figures not available: company under new ownership. Indication that turnover had increased under present ownership, i.e., over previous two years. Turnover figures confidential.	
9	1-25	•			Static		N/A								J	LP, LA	A one-man business with no intention of expanding. Turnover figures confidential.	
157	1-25	•			Static at £16,000		N/A								J, Po.	LP		
145*	1-25	•			33,000	6.45(A)	2		•				•		J, Po.	LP, LA, SL	No full-time office staff. Increased Production Facilities: plant and machinery only.	
90*	1-25			•	78,000	25.81(B)	2		2	1					J, P, E, BB	LA, SL		
31*	1-25		•		38,000	28.81(A)	1		1						J, P, FL	LP, SL		
35	1-25	•		•	81,000	30.65(B)	2			1			2		J, P	LP, LA, SL		
2	1-25	•			59,000	69.54(A)	4	3	1	1	2			4: Inflation	J, B	LA, SL	Mentioned large increases in cost of paper during 1973-74.	
82	50-100	•		•	313,000	66.49(B)	4		2	3	1			4: Inflation	J, Po.	SL, SS		
Totals: 11		9	2	1	2			2	5	6	4	0	4	4	Key:	J: Jobbing FL: Foreign Language LP: Letterpress SS: Screen Process	Po.: Posters BB: Bookbinding LA: Lithography SL: Small Litho	E: Electrotyping
* Firm was willing to give an interview.																		
(A) 1972-74.																		
(B) 1973-75.																		

* Firm was willing to give an interview.

(A) 1972-74.

(B) 1973-75.

Appendix 8.2 : Miscellaneous, Uninfluenced and Influenced Users

MISCELLANEOUS USERS

ANALYSIS

Data pertaining to the 16 firms which have been included in this category will be found in Table A located at the end of this section. The category consists of one firm which had ceased trading, two new firms, three static firms, and ten firms which gave no sales turnover figures. The latter have been sub-divided into five firms which claimed that growth had not been influenced by the use of outside services, three firms which claimed that growth was influenced, and two firms where it was positively influenced.

RESULTS

1. The firms fell into the following size ranges:

1 - 25 employees	:	9 firms
25 - 50 employees	:	6 firms
50 - 100 employees	:	1 firm

2. Overall Use : 16 Miscellaneous Users used 11 different outside services a total of 36 times. The group's use of outside services was in the range 1-5.

3. Number of outside services used:

1	:	6 firms
2	:	4 firms
3	:	3 firms
4	:	2 firms
5	:	1 firm

4. Types of outside service used:

BPIF	:	10 firms
Advice/Consultancy from the suppliers of production equipment, etc.	:	8 firms
Technical Consultants	:	4 firms
Practising Accountants	:	4 firms

PPITB	: 3 firms
Other Financial Organisations	: 2 firms
Professional Institutes	: 1 firm
Government Departments	: 1 firm
Clearing Banks	: 1 firm
Employment Bureau	: 1 firm
Computer Bureau	: 1 firm

5. Number of management areas strengthened from use:

None	: 2 firms
1	: 9 firms
2	: 1 firm
3	: 2 firms
4	: 1 firm
5	: 1 firm

6. Management areas strengthened:

General Management and Organisation	: 3 firms
Financial Management and Administration	: 3 firms
Personnel Management, Development and Training	: 2 firms
Marketing and Sales	: 2 firms
Production Management and Control	: 4 firms
Receiving Information and Advice helpful in running the business	: 12 firms

7. Sales Turnover:

(a) Ceased trading	: 1 firm
(b) Static	: 3 firms
(c) New firms (twelve months old)	: 2 firms
(d) Firms giving no information	: 10 firms

8. Factors contributing to an increased sales turnover:

8.1 Number of factors mentioned:

Not applicable	:	4 firms
None	:	1 firm
1	:	4 firms
2	:	1 firm
3	:	4 firms
4	:	2 firms

8.2 Factors mentioned:

	<u>f</u>	<u>Ranked</u>	
		<u>1</u>	<u>2</u>
Industry-wide Increase in Demand	: 3	1	1
Increased Production Facilities, etc.	: 8	4	
More Intensive Selling, etc.	: 5		3
Entry into New Markets	: 3	2	
Greater Competitiveness, etc.	: 3		2
Others	: 4	3	
	(Inflation 3)	(Inflation 2)	

9. Influence of outside services on growth:

Not at all	:	7 firms
One of Several Factors	:	4 firms
Positively	:	2 firms

10. Printing activities and technology employed:

All the firms undertook jobbing work, and in the case of the very small firms limited technology was employed. The bigger firms (25 to 100 employees) also specialised in areas such as periodical and book printing.

11. Comparison of uninfluenced and influenced users:

11.1 Size range:

	<u>Uninfluenced</u>	<u>Influenced</u>
1 - 25	3	3
25 - 50	2	1
50 - 100		1

11.2 Number of outside services used:

	<u>Uninfluenced</u>	<u>Influenced</u>
1	3	
2	1	2
3		2
4	1	
5		1
Total	<u>9</u>	<u>15</u>

11.3 Types used:

	<u>Uninfluenced</u>	<u>Influenced</u>
Technical Consultants		2
BPIF	3	4
Practising Accountants		2
Advice or Consultancy from Suppliers	3	2
Professional Institutes	1	
PPITB		2
Clearing Banks		1
Other Financial Organisations	1	1
Employment Bureau	1	
Computer Bureau		1

11.4 Number of management areas strengthened:

	<u>Uninfluenced</u>	<u>Influenced</u>
None		1
1	4	2
3	1	1
4		1

11.5 Management areas strengthened:

	<u>Uninfluenced</u>	<u>Influenced</u>
General Management and Organisation	1	1
Financial Management and Administration	1	
Personnel Management, Development and Training		2
Marketing and Sales	1	
Production Management and Control	1	2
Receiving Information and Advice helpful in running the business	3	4

11.6 Factors contributing to an increased sales turnover:

• Numbers mentioned:

	<u>Uninfluenced</u>	<u>Influenced</u>
None	1	
1	1	1
2	1	
3	2	2
4		2

• Factors mentioned:

	<u>Uninfluenced</u>		<u>Influenced</u>	
	<u>f</u>	<u>Ranked</u>	<u>f</u>	<u>Ranked</u>
	1	2	1	2
Industry-wide Increase in Demand	1	1	2	1
Increased Production Facilities, etc.	3	1	4	2
More Intensive Selling	3	3	2	
Entry into New Markets	1	1	2	1
Greater Competitiveness			3	2
Others	1	1	2	1
				(Inflation)

Appendix 8.2 / Table A : Miscellaneous Users

UNINFLUENCED USERS

ANALYSIS

Details of the 17 firms which claimed that their growth was not influenced by the use of outside services will be found in Table B located at the end of this section.

RESULTS

1. The firms fell into the following size ranges:

1 - 25 employees	:	12 firms
25 - 50 employees	:	2 firms
50 - 100 employees	:	2 firms
100 - 200 employees	:	1 firm

2. Overall Use: 17 Uninfluenced Users used 11 different outside services a total of 40 times. The group's use was in the range 1-5 outside services.

3. Number of outside services used:

1	:	6 firms
2	:	4 firms
3	:	3 firms
4	:	3 firms
5	:	1 firm

4. Types of outside service used:

Advice/Consultancy from the Suppliers of production equipment, etc.	:	11 firms
BPIF	:	8 firms
Employment Bureau	:	6 firms
Clearing Banks - additional services	:	4 firms
Government Departments	:	3 firms
PPITB	:	2 firms
Other Financial Organisations	:	2 firms
Academic Management Consultants	:	1 firm
Technical Consultants	:	1 firm
Academic Technical Consultants	:	1 firm
Practising Accountants	:	1 firm

5. Number of management areas strengthened from use:

None	: 7 firms
1	: 6 firms
2	: 1 firm
3	: 2 firms
4	: 1 firm

6. Management areas strengthened:

General Management and Organisation	: 2 firms
Financial Management and Administration	: 4 firms
Personnel Management, Development and Training	: 1 firm
Production Management and Control	: 3 firms
Receiving Information and Advice helpful in running the business	: 8 firms

7. Sales Turnover*:

7.1 Range :

up to £100,000	: 10 firms
£100,000 to £200,000	: 2 firms
£200,000 to £300,000	: 4 firms

7.2 Cumulative percentage increase in period:

10 - 20 per cent	: 3 firms
20 - 30 per cent	: 1 firm
30 - 40 per cent	: 6 firms
40 - 50 per cent	: 1 firm
50 - 60 per cent	: 4 firms
<hr/>	
70 - 165 per cent	: 2 firms

* One firm disclosed percentage increase, and not actual figures.

8. Factors contributing to an increased sales turnover:

8.1 Number of factors mentioned:

1	:	4 firms
2	:	8 firms
3	:	4 firms
4	:	1 firm

8.2 Factors mentioned:

	<u>f</u>	<u>Ranked</u>	
		<u>1</u>	<u>2</u>
Industry-wide Increase in Demand	: 3	1	2
Increased Production Facilities, etc.	: 9	2	5
More Intensive Selling, etc.	: 9	4	1
Entry into New Markets	: 2	2	
Greater Competitiveness, etc.	: 7	2	3
Others	: 6	5	1
	(Inflation 4)		

9. Influence of outside services on growth:

- Not at all : 17 firms

10. Printing activities and technology employed:

All firms undertook jobbing work, with the very small firms using more limited technology. The bigger firms tended to specialise in areas such as book or periodical printing.

INFLUENCED USERS

ANALYSIS

In Table C at the end of this section are details of the 17 firms which claimed that their growth was influenced by the use of outside services.

RESULTS

1. The firms fell into the following size ranges:

1 - 25 employees	: 4 firms
25 - 50 employees	: 4 firms
50 - 100 employees	: 5 firms
100 - 200 employees	: 4 firms

2. Overall Use : 17 Influenced Users used 15 different outside services a total of 107 times. The group's use was in the range 2-10 outside services.

3. Number of outside services used:

1	: 1 firm
3	: 2 firms
5	: 3 firms
6	: 2 firms
7	: 5 firms
8	: 1 firm
9	: 1 firm
10	: 2 firms

4. Types of outside service used:

BPIF	: 15 firms
PPITB	: 15 firms
Advice/Consultancy from the suppliers of production equipment, etc.	: 10 firms
Employment Bureau	: 10 firms
Practising Accountants	: 8 firms
PIRA	: 7 firms
Other Financial Organisations	: 7 firms
Technical Consultants	: 6 firms
Recruitment Consultants	: 5 firms
Professional Institutes	: 5 firms

Government Departments	: 5 firms
Computer Bureau	: 5 firms
Management Consultants	: 4 firms
Solicitor	: 3 firms
Clearing Banks	: 2 firms

5. Number of management areas strengthened from use:

1	: 1 firm
2	: 7 firms
3	: 2 firms
4	: 1 firm
5	: 2 firms
6 (All)	: 4 firms

6. Management areas strengthened:

General Management and Organisation	: 10 firms
Financial Management and Administration	: 13 firms
Personnel Management, Development and Training	: 10 firms
Marketing and Sales	: 4 firms
Production Management and Control	: 10 firms
Receiving Information and Advice helpful in running the business	: 12 firms

7. Sales Turnover:

7.1 Range*:

<u>£000s</u>	<u>No. of Firms</u>
up to 100	2
100 - 200	4
200 - 300	2
300 - 400	2
400 - 500	2
700 - 800	1
1m - 2m	2
3m - 4m	1

* One firm disclosed percentage increase, and not actual figures.

7.2 Cumulative percentage increase in period:

10 - 20 per cent	:	2 firms
20 - 30 per cent	:	5 firms
30 - 40 per cent	:	2 firms
40 - 50 per cent	:	1 firm
50 - 60 per cent	:	1 firm
<hr/>		
70 - 80 per cent	:	3 firms
80 - 90 per cent	:	1 firm
90 - 100 per cent	:	1 firm
130 - 140 per cent	:	1 firm

8. Factors contributing to an increased sales turnover:

8.1 Number of factors mentioned:

1	:	1 firm
2	:	2 firms
3	:	7 firms
4	:	7 firms

8.2 Factors mentioned:

	<u>f</u>	<u>Ranked</u>	
		<u>1</u>	<u>2</u>
Industry-wide Increase in Demand	: 4		2
Increased Production Facilities, etc.	:12	4	3
More Intensive Selling, etc.	:14	6	2
Entry into New Markets	: 6		3
Acquisition and/or Merger	: 1	1	
Greater Competitiveness, etc.	:14	4	1
Others	(inflation 3) (inflation 2)	2	1

9. Influence of outside services on growth:

- Positively : 1 firm
- One of several factors : 16 firms

10. Printing activities and technology employed:

The majority undertook both jobbing and specialised printing work employing more complicated technology.

Appendix 8.2 / Table C : Influenced Users

Firm No.	Size: Employees	TYPES OF OUTSIDE SERVICE USED														
		No. Management Consultants	Academic Management Consultants	Technical Consultants	Academic Technical Consultants	Recruitment Consultants	PIRA	BPIP	Practising Accountants	Solicitor	Suppliers: Advice or Consultancy	Professional Institutes	Government Departments	PPTB	Clearing Banks	Other Financial Institutions
158	1- 25	5														
85	1- 25	3														
140**	1- 25	8														
27	1- 25	10														
75**	25- 50	6														
38**	25- 50	9														
14**	25- 50	2														
8**	25- 50	7														
193*	50-100	7														
144*	50-100	7														
42**	50-100	10														
136*	50-100	7														
78**	50-100	3														
149**	100-200	7														
3	100-200	5														
133	100-200	5														
56**	100-200	6														

* Firm willing to give an interview (A) 1972-74.
+ Interviewed (B) 1973-75.

[illegible]

INFLUENCE OF OUTSIDE SERVICES ON GROWTH				Activities	Technology Employed	Comments
Positively	One of Several Factors	Not at all				
	•		P	LF, SL		Management consultants had been used more than three years ago. Employment Bureau not very often used. Additional plant and machinery only. Unfavourable comment made upon PPTB.
	•		J	SL		Works completely destroyed by fire (1974-75): 6 months spent in inadequate temporary premises. It was thought that t/o would have increased on previous figure of £48,000 but for this. Influence of outside services on growth: not very much.
	•		P, B	LF		
	•		J, P, Po, FL	LF, SL		
	•		J	L1, SL		
•			J, N, B, Po, BB	LF, L1, SL		
•			J, P, Po, FL, DS, BB, B	LF, SL		
•			J, P, B, FL, BB	LF, SL		
•			J, Po.	L1, SL, SS		
•			J	LF, SL		Management consultants had been used in 1969.
•			J	LF, SL		
•			J, P, Po, DS, BB	LF, L1		
•			J, P	LF, SL, L1, MO		
•			B, P	SL, L1, MO		Recruitment consultants had been used only once. Employment Bureau used for secretarial staff only. Printing School advised on apprentice training. Finance house used for leasing.
•			J, P, B, FL, BB	LF, SL, L1		Turnover has increased by about 15 per cent. for both 1974 and 1975. The results for the past year are in line with the unsatisfactory results achieved in the industry.
•			J, P	G		
•						Firm had reduced the number employed to about 90 persons by the time bought, stocked and re-sold packaging.

1

16

Key to Activities and Technology Employed:- P: Periodicals J: Jobbing
 B: Books Po: Posters FL: Foreign Language Printing N: Newspapers BB: Bookbinding
 DS: Dye Stamping

GROUP COMPARISON

The principal features of each group are set out in Illustration A on the following page. Included in the illustration are the characteristics of the different groups in respect to (i) structure; (ii) the extent to which outside services were used; (iii) the main types used; (iv) the management areas strengthened as a result of this use; (v) growth performance against the measure employed; and (vi) the most important factors which were judged by the firms to have contributed to any increase in sales turnover over the period reviewed.

Appendix 8.2 / Illustration A : Group Comparison

NON-USERS

MISCELLANEOUS USERS

UNINFLUENCED USERS

INFLUENCED USERS

SIZE	OUTSIDE SERVICES	TYPES	MANAGEMENT AREAS STRENGTHENED
VERY SMALL FIRMS Operations on a limited scale : • numbers employed • sales turnover • printing activities • technology	NOT NEEDED		
MAJORITY VERY SMALL FIRMS	FEW USED	MOSTLY : • BPIF • Advice/consultancy from Suppliers, etc.	MAJORITY : • None or One area only. GREAT MAJORITY SPECIFIED : • Receiving Information and Advice helpful in running the business
MAJORITY VERY SMALL FIRMS	FEW USED	MOSTLY : • Advice/consultancy from Suppliers, etc. • BPIF • Employment Bureaux	GREAT MAJORITY : • None or One area only. MAJORITY SPECIFIED : • Receiving Information and Advice helpful in running the business
GREAT MAJORITY MEDIUM-SIZED FIRMS MUCH MORE USED		MOSTLY : • BPIF • PPIFB • Advice/consultancy from Suppliers, etc. • Employment Bureaux • Practising Accountants • PIRA • Other Financial Organisations • Technical Consultants	VERY GREAT MAJORITY : • Two to Six areas GREAT MAJORITY : • Financial Management and Administration. MAJORITY : • Receiving Information and Advice helpful in running the business • General Management and Organisation • Personnel Management, Development and Training • Production Management and Control

NOTES:

- Marketing Activities consist of (1) more intensive selling activities and the acquisition of new print accounts and (11) entry into new markets.
- In the printing industry very small firms employ 1-25 persons; and medium-sized firms employ 25 - 250 persons.
- There were 11 Non-users; 16 Miscellaneous Users; 17 Uninfluenced Users; and 17 Influenced Users.
- Appendix 5.3 summarises the growth performance of the different groups.

GROWTH	PRINCIPAL FACTORS CONTRIBUTING TO TURNOVER INCREASE
<div data-bbox="1145 257 1220 336" data-label="Text">(2/11)</div> <div data-bbox="1010 197 1102 389" data-label="Text"> <p>2 GROWERS 6 DECLINING 3 NOT ASSESSABLE</p> </div>	<div data-bbox="1080 600 1102 837" data-label="Text"> <p>MARKETING ACTIVITIES</p> </div>
<div data-bbox="828 197 850 353" data-label="Text"> <p>NOT ASSESSABLE</p> </div>	<div data-bbox="793 600 871 826" data-label="Text"> <p>INCREASED PRODUCTION FACILITIES MARKETING ACTIVITIES</p> </div>
<div data-bbox="555 257 630 336" data-label="Text">(2/17)</div> <div data-bbox="438 174 531 318" data-label="Text"> <p>2 GROWERS 5 STATIC 10 DECLINING</p> </div>	<div data-bbox="430 600 541 857" data-label="Text"> <p>MARKETING ACTIVITIES INCREASED PRODUCTION FACILITIES GREATER COMPETITIVENESS</p> </div>
<div data-bbox="298 257 373 336" data-label="Text">(6/17)</div> <div data-bbox="185 174 277 318" data-label="Text"> <p>6 GROWERS 2 STATIC 9 DECLINING</p> </div>	<div data-bbox="164 600 276 857" data-label="Text"> <p>MARKETING ACTIVITIES GREATER COMPETITIVENESS INCREASED PRODUCTION FACILITIES</p> </div>

Appendix 8.3 : Analysis of Sales Turnover - Users

Size of firm: number of employees				Number of outside services used	Cumulative Percentage Increase in Sales Turnover over the Three-year Period								Outside Services as a Factor Influencing Growth		
1-25	25-50	50-100	100-200		10-20	20-30	30-40	40-50	50-60	70-80	80-90	100-170	Positively	One of several factors	Not at all
.	.	.	.	1	11	5 firms (10 per cent.)								.	.
.	.	.	.	1	12									.	.
.	.	.	.	5	15									.	.
.	.	.	.	6	20									.	.
.	.	.	.	1	20									.	.
.	.	.	.	1	21									.	.
.	.	.	.	7	22									.	.
.	.	.	.	3	23									.	.
.	.	.	.	8	25	6 firms (12 per cent.)								.	.
.	.	.	.	7	26									.	.
.	.	.	.	9	30									.	.
.	.	.	.	5	32									.	.
.	.	.	.	3	33									.	.
.	.	.	.	2	33									.	.
.	.	.	.	2	34	8 firms (16 per cent.)								.	.
.	.	.	.	10	35									.	.
.	.	.	.	1	35									.	.
.	.	.	.	1	39									.	.
.	.	.	.	4	40									.	.
.	.	.	.	7	46	2 firms (4 per cent.)								.	.
.	.	.	.	4	46									.	.
.	.	.	.	3	54									.	.
.	.	.	.	5	57									.	.
.	.	.	.	2	59	5 firms (10 per cent.)								.	.
.	.	.	.	3	60									.	.
.	.	.	.	3	60									.	.
.	.	.	.	2	72	4 firms (8 per cent.)								.	.
.	.	.	.	2	72									.	.
.	.	.	.	5	76									.	.
.	.	.	.	8	77									.	.
.	.	.	.	7	87	1 firm (2 per cent)								.	.
.	.	.	.	6	100									.	.
.	.	.	.	10	135									.	.
.	.	.	.	4	165									.	.

Note Figures in brackets: percentage of Users.

Appendix 8.4 :

Ranking of the Factors Contributing to an Increased Sales
Turnover - the 34 firms which disclosed complete information

Size of firm: number of employees	Cumulative Percentage Increase in Sales Turnover over the Three-Year Period	RANKING OF THE FACTORS						
		Industry-wide Increase in Demand	Increased Production Facilities etc.	More Intensive Selling, etc.	Entry into New Markets	Merger	Greater Competit- iveness, etc.	Other:
100-200	11		2					1: Increased orders from main customer
25-50	12		2		1			
1-25	15		•	•	•		•	
25-50	20							1: Inflation
1-25	20	1						2: Recommend- ation and personal service
25-50	21							1: Inflation
50-100	22			3	2		1	
1-25	23		•	•			•	
100-200	25	2	3				1	
50-100	26		2	1			3	
25-50	30		•	•			•	
100-200	32	•		•			•	
1-25	33						2	1: Inflation
1-25	33						1	
1-25	34			1				
50-100	35		1	2	4		3	
1-25	35							1: Inflation
50-100	39	2	1					
50-100	40			3			2	1: Inflation
50-100	46		2	1				
1-25	46		2	1			3	
50-100	54	4	3	1			2	
1-25	57	2	3	4	1			
1-25	59		2	1				
1-25	60		•	•				
1-25	60		1	3			2	
1-25	72			2			1	
25-50	72		1		2			
100-200	76			2	3		4	1: Inflation
1-25	77		3	1			4	2: Diversific- ation into publishing
25-50	87		2	3		1	4	
100-200	100	2		1			1	
1-25	135		1	3	2		4	
1-25	165		2	1			3	
TOTAL;		7	21	23	8	1	21	2

Note : • Denotes that the Factor was not ranked by the respondent.

Appendix 8.5 :

Frequency of Ranking - Factors Contributing to an Increased Sales Turnover

Ranking	FACTORS CONTRIBUTING TO AN INCREASED SALES TURNOVER									
	Industry-wide Increase in Demand	Increased Production Facilities, etc.	More Intensive Selling, etc.	Entry into New Markets	Merger	Greater Competitiveness, etc.	Inflation	Increased Orders from Main Customer	Recommendations and Personal Service	Diversification into Publishing
Ranked 1	1	5	9	2	1	5	6	1		
2	4	8	3	3		4			1	1
3		4	5	1		4				
4	1		1	1		4				
Not Ranked	1	4	5	1		4				
	-	-	-	-	-	-	-	-	-	-
Total:	7	21	23	8	1	21	6	1	1	1

Note: The table relates to the 34 firms which divulged complete information on sales turnover.

Appendix 10.1 : Use of Outside Services by the Different Groups

Group	Size	No. of Firms	No. of Outside Services Used	Average Use
Miscellaneous Users	1 - 25	9	16	1.77
(16)	25 - 50	6	17	2.83
	50 - 100	1	3	—
Uninfluenced Users	1 - 25	12	32	2.66
(17)	25 - 50	2	2	1.00
	50 - 100	2	5	2.50
	100 - 200	1	1	—
Influenced Users	1 - 25	4	26	6.50
(17)	25 - 50	4	24	6.00
	50 - 100	5	34	6.80
	100 - 200	4	23	5.75

Appendix 10.2 : Outside Services Used by the Uninfluenced and Influenced Groups

Type of Outside Service	A	B	A - B
	Influenced f	Uninfluenced f	
BPIF	15	8	+ 7
PPITB	15	2	+13
Advice or Consultancy from Suppliers, etc.	10	11	- 1
Employment Bureau	10	6	+ 4
Practising Accountants	8	1	+ 7
PIRA	7	—	+ 7
Other Financial Organisations	7	2	+ 5
Technical Consultants	6	1	+ 5
Recruitment Consultants	5	—	+ 5
Professional Institutes	5	—	+ 5
Government Departments	5	3	+ 2
Computer Bureau	5	—	+ 5
Management Consultants	4	—	+ 4
Solicitors	3	—	+ 3
Clearing Banks	2	4	- 2
Academic Management Consultants	—	1	- 1
Academic Technical Consultants	—	1	- 1

Notes

1. The outside services which were used much more by the Influenced Users were PPITB, BPIF, Practising Accountants and PIRA.

/continued

Notes (continued)

2. The outside services used more by the Influenced Users were Other Financial Organisations, Technical Consultants, Employment Bureaux and Government Departments.
3. Apart from PIRA, the other outside services used only by the Influenced Users were Recruitment Consultants, Professional Institutes, Computer Bureaux, Management Consultants and Solicitors.

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